

## **COMPLIANCE SUPPLEMENT FOR SINGLE AUDITS OF LOCAL GOVERNMENTS**

The 2007 update of the OMB Compliance Supplement is effective for audits of fiscal years beginning after June 30, 2006. The Office of Management and Budget has prepared the 2007 Compliance Supplement. This section presents information on compliance as outlined in the latest update of the OMB Compliance Supplement. The following compliance section includes program objectives, program procedures, compliance requirements, and suggested audit procedures as interpreted by program directors in the State Department of Education (SDE).

Each requirement is accompanied by suggested audit procedures that can be used to test for compliance. These are *not the only* procedures an auditor can use, nor are they mandatory procedures. Auditors may apply professional judgment and use procedures of their choice to determine adequacy, timeliness, the extent of reviews, and tests performed, as long as the procedures used support the opinion issued on compliance (or noncompliance) with the specified requirements for items tested.

If, during the course of an examination, you encounter federal projects that are administered by the SDE but are not addressed in the OMB Compliance Supplement, please contact the Office of Finance, District Auditing and Field Services Section.

## OMB Compliance Requirements

Several statutory and regulatory requirements are applicable to all or most federal assistance programs. Requirements that involve significant national policy and for which noncompliance could have a material impact on an organization's financial statements are presented in the compliance supplement for single audits issued by the U.S. Office of Management and Budget. The 2007 update of this supplement is effective for audits conducted after June 30, 2006. It is available on the Internet at <[http://www.whitehouse.gov/omb/circulars/a133\\_compliance/07/07toc.html](http://www.whitehouse.gov/omb/circulars/a133_compliance/07/07toc.html)>.

Other Internet addresses that are useful in obtaining OMB updates to the Compliance Supplement and single audit information are given in appendix E of this guide. **It is incumbent upon the independent auditor to follow the most current authoritative references for reporting purposes.**

## SDE Financial Reports

### Compliance Requirement

Periodic submission of expenditure reports (PAOIR) are used to obtain most federal financial assistance that passes through the State Department of Education (SDE) to the local education agency (LEA).

### Suggested Audit Procedure(s)

- Review procedures for preparing SDE financial reports and evaluate for adequacy.
- Sample SDE financial reports for each material program and review for completeness and timeliness of submission.
- Trace data to the supporting documentation (e.g., worksheets, ledgers).
- Review adjustments made to General Ledger amounts that affect financial reports sent to the SDE and evaluate for propriety.
- Review the LEA's "Project Accounting Master" and "Payments to Counties" printout for reconciliation to the General Ledger amounts. (See appendix F for a liftable letter that can be used in requesting a copy of the "Project Accounting Master" from the SDE.)

SDE contact: Susan Flanagan  
803-734-8488  
[sflanagn@ed.sc.gov](mailto:sflanagn@ed.sc.gov)

## **Commercial Driver's License (CDL) Drug and Alcohol Testing Program**

(Code of Federal Regulations, Title 49, Chapter III, Section 383 et al., Federal Highway  
Administration, Department of Transportation)  
(To be tested for all districts)

### **I. Program Objective**

The objective of the commercial driver's license (CDL) drug and alcohol testing program is to reduce or prevent school bus collisions, fatalities, and injuries by requiring commercial driver license operators (school bus drivers) to participate in ongoing drug and alcohol abuse awareness education program and drug and alcohol testing program.

### **II. Program Purpose**

The purpose of the CDL drug and alcohol testing is to prevent the misuse of alcohol or the use of controlled substances by school bus drivers and other school bus transportation safety-sensitive employees who are charged with the responsibility of ensuring the safe transport of students to and from school and school-related activities. This program is based upon state and federal laws, requiring school district bus drivers to participate in a drug and alcohol testing program encompassing the following areas:

- preemployment testing,
- post-accident testing,
- random testing,
- reasonable suspicion testing,
- return-to-duty testing, and
- follow-up testing.

### **III. Compliance Requirements**

The local school district or district contractor, as the employer, and in accordance with state and federal laws, is the administrative entity of the Drug and Alcohol Testing program for its CDL employees (school bus drivers). Districts are required to maintain drug and alcohol testing programs that comply with the following procedures:

- A. Each district shall ensure that all alcohol or controlled substances testing is conducted in compliance with federal law and procedures. **(49 C.F.R. § 382.105 Testing procedures)**
- B. Before performing an alcohol or controlled substances test, the district shall notify a prospective driver (school bus driver) that the alcohol or controlled substances test is required. **(49 C.F.R. § 382.113 Requirement for notice)**

- C. Prior to the first time a driver performs safety-sensitive functions (driving a school bus) for an employer, the driver shall undergo testing for controlled substances as a condition of employment. **(49 C.F.R. § 382.301 Preemployment testing)**
- D. As soon as practicable following an occurrence involving a commercial motor vehicle (school bus) operating on a public road, the district shall test each surviving driver for alcohol and controlled substances: **(49 C.F.R. § 382.303 Post-accident testing)**
  - a) who was performing safety-sensitive functions (driving a school bus) with respect to the vehicle, if the accident involved the loss of human life; or
  - b) who receives a citation under state or local law for a moving traffic violation arising from the accident, if the accident involved
    - 1) bodily injury to any person who, as a result of the injury, immediately receives medical treatment away from the scene of the accident; or
    - 2) one or more motor vehicles incurring disabling damage as a result of the accident, requiring the motor vehicle to be transported away from the scene by a tow truck or other motor carrier vehicle.
- E. Random testing for controlled substances and alcohol shall be conducted as follows: **(49 C.F.R. § 382.305)**
  - a) Employers shall conduct random controlled substances testing of all safety-sensitive employees (school bus drivers) at a minimum annual percentage rate of 50 percent of the average number of bus driver positions.
  - b) Employers shall conduct random alcohol testing of all safety-sensitive employees (school bus drivers) at a minimum annual percentage rate of 10 percent of the average number of driver positions.
- F. Reasonable suspicion testing shall be conducted as follows:
  - a) An employer shall require a school bus driver to submit to an alcohol test when the employer has reasonable suspicion to believe that the driver is using alcohol while performing, or is about to perform, a safety-sensitive function (driving a school bus).
  - b) An employer shall require a driver to submit to a controlled substances test when the employer has reasonable suspicion to believe that the school bus driver has violated the prohibitions concerning controlled substances use while performing, or is about to perform a safety-sensitive function (driving a school bus).
- G. Return-to-duty testing shall be conducted as follows: **(49 C.F.R. § 382.309)**
  - a) The employer shall ensure that before a school bus driver returns to duty requiring the performance of a safety-sensitive function (driving a school bus) after engaging in prohibited conduct, the driver shall undergo a return-to-duty alcohol test.

- b) The employer shall ensure that before a school bus driver returns to duty requiring the performance of a safety-sensitive function (driving a school bus) after engaging in prohibited conduct, the driver shall undergo a return-to-duty controlled substances test with a verified negative result for controlled substances use.

H. Following a determination that a school bus driver is in need of assistance in resolving problems associated with alcohol misuse and/or use of controlled substances, each employer shall ensure that the school bus driver is subject to unannounced follow-up alcohol and/or controlled substances testing as directed by a substance abuse professional. **(49 C.F.R. § 382.311 Follow-up testing)**

#### **IV. Reporting Requirements**

The employer shall maintain records of its alcohol misuse and controlled substances use prevention programs. The records shall be maintained in a secure location with controlled access. **(49 C.F.R. § 382.401 Retention of records)**

#### **V. Suggested Audit Procedures**

Review all district records pertaining to drug and alcohol testing. Verify that the district has a current contract with a provider of drug and alcohol testing services, and can produce the following record files upon demand:

- a) documentation of agreement/contract between the district or district's contractor and a drug and drug testing provider for drug and alcohol testing services,
- b) consolidated annual calendar-year summaries of test results,
- c) documents relating to the random selection process,
- d) documents generated in connection with decisions to administer reasonable-suspicion alcohol or controlled substances tests,
- e) documents generated in connection with decisions of post-accident tests,
- f) documentation verifying that 50 percent of average driving force were tested for controlled substances,
- g) documentation verifying that a minimum 10 percent of average driving force was randomly tested for alcohol, and
- h) documentation verifying that the legally required post-accident tests were conducted.

SDE contact: John Dozier  
803-734-8245  
Jdozier@ed.sc.gov

## **Federal Program Compliance**

### **Adult Education Program**

#### **CFDA 84.002**

##### **I. Program Objective**

The program of adult education is provided in order to – (1) assist adults to become literate and obtain the knowledge and skills necessary for employment and self-sufficiency; (2) assist adults who are parents to obtain the educational skills necessary to become full partners in the educational development of their children; and (3) assist adults in the completion of a secondary school credential.

##### **II. Program Procedures**

Individuals must be at least eighteen years of age or older, except where the local board assigns students less than eighteen years of age who are not officially in membership in a regular school. No one under the age of sixteen years of age can enter an adult education program.

##### **III. Compliance Requirement(s) and Suggested Audit Procedure(s)**

###### **A. Types of Services Allowed or Disallowed**

###### **Compliance Requirement**

Federal adult education funds can be expended only for the types of services specified in the approved project proposal, including instructional and administrative salaries, operation and maintenance, fringe benefits, travel, instructional supplies/materials, and capital outlay.

###### **Suggested Audit Procedure(s)**

- Review grant award and ascertain allowable services.
- Review expenditure and related records.

###### **B. Matching, Level of Effort, and/or Earmarking Requirements**

###### **Compliance Requirement**

Local administrative costs may not exceed 5 percent of the federal adult education funds.

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**Suggested Audit Procedure(s)**

- Review district's adult education expenditure reports to determine that no more than 5 percent were used for administrative purposes.

SDE contact: David Stout  
803-734-8348  
dstout@ed.sc.gov

## **Breakfast and Lunch Programs, National School**

### **CFDA 10.553,\* 10.555\*** ***Includes Canteen Operations***

- The State Department of Education requires that the Food Distribution/Commodities
- program, the School Breakfast Program, and the School Lunch Program be combined for the compliance testing of the food service program.

#### **I. Program Objective**

The two objectives of the National School Breakfast and National School Lunch Programs are to use cash grants and food donations to assist in making breakfast and lunch available for school children and to encourage the consumption of agricultural commodities and other foods.

#### **II. Program Procedures**

The programs are operated at the local level by a school food authority (SFA), which is reimbursed by the state at rates prescribed by the federal government. Payments are made for breakfasts, lunches, and snacks served to children based on prescribed rates multiplied by the number and category of meals served. Commodities are distributed to SFAs based on projected levels of service.

#### **III. Compliance Requirement(s) and Suggested Audit Procedure(s)**

##### **A. Eligibility**

##### **Compliance Requirement**

The SFA must properly approve applications submitted in accordance with federal eligibility standards (7 C.F.R. § 245.6(b)).

##### **Suggested Audit Procedure(s)**

- Ascertain that eligibility guidelines were submitted to the local media with proof of submission, not necessarily publication, as the minimum requirement.
- Ascertain that application approval is based upon the household size and income scale prescribed in the applicable audit year's Free and Reduced Price Meal Policy Statement, or if direct certification is used, appropriate documentation is available from the Department of Social Services/Department of Education match.

Using the schedule below, select the minimum number of schools to be reviewed.

Number of

Minimum Number of Schools



## Schools in the SFA to Be Reviewed

1–5 .....	1
6–10 .....	2
11–20 .....	3
21–40 .....	4
41–60 .....	6
61–80 .....	8
81–100 .....	10

The number of schools in the SFA is based upon the number of schools participating in the National School Lunch Program.

- In the schools selected, review an appropriate number of applications to assure they are complete and verify them for accuracy. A complete application must have the following information:
    - a. the name(s) of the child or the children (a household/multi-child application is required as of the 2006–07 school year);
    - b. \*the total household monthly income shown by person, source, and amount;
    - c. \*the names of all household members;
    - d. \*the Social Security number of adult household member (aged twenty-one and over) signing the application or an indication that this household member does not possess a Social Security number;
    - e. the signature of an adult member of the household; and
    - f. a determination by the principal or a designated representative as to whether an application is free, reduced, denied, or temporarily free or reduced. (Guidelines as to temporary income and eligibility are also an integral part of the policy statement.)
- \* Please note: When a food stamp or a Temporary Assistance to Needy Families (TANF) case number is provided, items b, c, and d are not required.
- Meals served are delineated by school each month in support of the consolidated financial claims report submitted via the School Nutrition Automated Claim System (SNACS). In another sample of schools (see preceding schedule) determine the number of free and reduced price meals claimed for reimbursement and determine whether it exceeds the number of approved applications by accepting the number of free and reduced applications and/or direct certification documents on file and comparing on a daily basis to the number of meals claimed, making use of the web-based claim system for food service (SNACS), and daily participation forms (or equivalent source documents).

### **B. Reporting Requirements**

#### **Compliance Requirement**

The SFA must use program funds for program purposes (7 C.F.R. § 210.7(b)). The SFA must account for all revenues and expenses of the nonprofit school food service as

prescribed by the state's financial management system (7 C.F.R. §§ 210.14(a-1) and 220.13(i)).

**Suggested Audit Procedure(s)**

- Ascertain that expenses are for program purposes:
  - a. Salary expenses are for persons who are school food service employees.
  - b. Indirect costs are not charged to direct program expenditures.

If the school district elects to recover any portion of the indirect cost attributable to the school food service, use Account 432-791, Indirect Cost, as a transfer to the General Fund. Ascertain that the charge is a direct expense to the School Food Service Fund as designated in the revised chart of accounts for the School Food Service Fund and not through the transfer account.

- Ascertain that all school food service assets and liabilities are segregated on the balance sheet when this fund is reflected as a Special Revenue Fund.
- Ascertain that revenues and expenses recorded on the General Ledger in appropriate categories are equal to amounts that have been recorded on the claim reports that have been forwarded to the State Department of Education (SDE). If any adjusting entries are recorded in the General Ledger at the year end, these adjustments should be forwarded *as soon as possible* by the SFA to the SDE.
- Ascertain that the value of supplies and food (purchased plus commodities) remaining on hand at year-end has been properly recorded as assets on the Balance Sheet of the SFA.
- Determine that the district complies with the legislative Proviso 1.6 (appendix G), which states that "Once a district has expended all state allocated funds for fringe benefits, the district may utilize food service revenues to fund a proportionate share of fringe benefits costs for food service personnel."
- If a district has contracted with a management company but retains its employees, ascertain where the fringe benefit expense for these employees has been charged. Test for compliance with Proviso 1.6 to ensure the Food Service Fund is being charged only its proportional share of the cost of fringe benefits unfunded by the state. Refer to School Food Services Memorandum No.23 (appendix H) dated June 30, 1989, for guidance on the proper allocation of fringe benefits to the Food Service Fund. Ensure that if the district's accounting system is designed to charge salaries plus fringe benefits to the School Fund Service Fund, the following three criteria are met:
  - a. A transfer of revenue from the General Fund to the School Food Service Fund equals the fringe benefit charged minus the shortfall portion.
  - b. This transfer is made at the same time the fringe benefits are charged to the School Food Service Fund.

- c. Indirect cost is claimed only on the shortfall portion of fringe benefits paid from the School Food Service Fund.
- If the Food Service Fund reflects indirect cost expenses, ensure that no prior year indirect cost is charged to the School Food Service Fund. The indirect cost rates may be obtained from the listing below, pages 156–57.
- Ascertain that the approved indirect cost rate for food service includes only shared costs and that none of the included costs are direct costs of food service. The negotiated indirect cost rate must be applied to specific cost categories and not used when costs are directly billed to school food service. Confirm that the school district has complied with the cost allocation plan as outlined in OMB Circular A-87. Refer to School Food Service Memorandum No. 15 (appendix J) for guidance on applying the indirect cost rate for the Food Service Program in accordance with OMB Circular A-87.
- Ascertain that item “State Costs” on the reimbursement claim reflects only funds paid from the state allocation. (Revision to this item as well as other revisions should be submitted to the SDE by the SFA as soon as the district’s school food service portion of the audit is completed.) Identify and document the amount of fringe benefits paid for food service employees from the state allocation.
- Ascertain if the SFA has allowed the Food Service Fund to make “loans” for use in other school system operations. USDA requirements allow borrowing from the Food Service Fund only if the following conditions are met:
  - a. The SFA has accumulated excess net cash resources with the approval of the state agency (SA) for the purpose of meeting a defined future program need.
  - b. **All** of the SFA’s **current food service program needs** are fully funded.
  - c. The loan is formally established at a competitive interest rate and is made for a short duration of time (no more than one year).
  - d. The SFA seeks and receives prior SA approval for each loan and notifies the SA when repayment is completed.
  - e. Duration and repayment must be in accordance with planned use (i.e., purchase of equipment). Note, however, that if the loan is not repaid on schedule, the loaned funds would be considered misappropriated funds and the SDE would take corrective measures that could include the suspension of reimbursement.
- Ascertain that interest due to the school food service is in compliance with USDA regulations as outlined in Food Service Memorandum (appendix L), dated March 19, 1999.

**OFFICE OF SCHOOL FOOD SERVICES  
INDIRECT COST RATES, 2006-07**

<b><u>District</u></b>	<b><u>Indirect Cost Rate</u></b>	<b><u>District</u></b>	<b><u>Indirect Cost Rate</u></b>
Abbeville	11.51	Florence 4	11.26
Aiken	11.72	Florence 5	12.03
Allendale	13.63	Georgetown	14.85
Anderson 1	10.81	Greenville	13.53
Anderson 2	12.94	Greenwood 50	12.20
Anderson 3	12.39	Greenwood 51	14.57
Anderson 4	16.76	Greenwood 52	13.89
Anderson 5	12.93	Hampton 1	12.34
Bamberg 1	13.38	Hampton 2	15.45
Bamberg 2	14.34	Horry	12.72
Barnwell 19	12.95	Jasper	13.84
Barnwell 29	16.16	Kershaw	12.84
Barnwell 45	9.95	Lancaster	10.88
Beaufort	14.89	Laurens 55	12.75
Berkeley	15.83	Laurens 56	11.03
Calhoun	12.43	Lee	12.13
Charleston	14.70	Lexington 1	13.58
Cherokee	13.45	Lexington 2	12.44
Chester	16.75	Lexington 3	13.54
Chesterfield	11.25	Lexington 4	13.37
Clarendon 1	12.98	Lexington 5	12.26
Clarendon 2	11.67	McCormick	13.93
Clarendon 3	11.51	Marion 1	12.33
Colleton	14.53	Marion 2	10.13
Darlington	10.44	Marion 7	17.48
Dillon 1	10.10	Marlboro	13.33
Dillon 2	14.36	Newberry	12.01
Dillon 3	13.76	Oconee	14.65
Dorchester 2	12.28	Orangeburg 3	12.68
Dorchester 4	12.28	Orangeburg 4	13.36
Edgefield	15.91	Orangeburg 5	13.43
Fairfield	17.12	Pickens	13.04
Florence 1	11.35	Richland 1	13.32
Florence 2	11.41	Richland 2	18.47
Florence 3	12.51	Saluda	16.77

**OFFICE OF SCHOOL FOOD SERVICES  
INDIRECT COST RATES, 2006–07 (cont'd)**

<u>District</u>	<u>Indirect Cost Rate</u>	<u>District</u>	<u>Indirect Cost Rate</u>
Spartanburg 1	12.73	Sumter 17	13.30
Spartanburg 2	13.43	Union	12.91
Spartanburg 3	13.98	Williamsburg	13.01
Spartanburg 4	11.31	York 1	13.52
Spartanburg 5	10.36	York 2	14.06
Spartanburg 6	13.06	York 3	16.81
Spartanburg 7	11.80	York 4	14.37
Sumter 2	13.84		

**CANTEEN OPERATIONS**

- Ascertain that all canteen operations managed by the school food service program are operated strictly on a vending-type arrangement, where all cost incurred plus profit must be taken “up front” monthly by the school food service acting in the capacity of vendor. (This includes all vended products, prepackaged, and prepared foods.)
- Ascertain that once the initial vending has occurred and “up front” charges are taken, no assets have been transferred from the Pupil Activity Fund back to the School Food Service Fund. (Ensure that no splitting of profits, predetermined or otherwise, is occurring in this type of operation.)
- Ascertain that all school food service costs incurred in vending to the canteen operation for purchased food, supplies, and United States Department of Agriculture (USDA) commodities are not reflected in the Revenue/Expenses items: “Cost of Food Used” and “Cost of Supplies Used” as reported in the School Nutrition Automated Claims System (SNACS).
- Ascertain that all profits received from managing the canteen operation by the school food service program are posted in the General Ledger under account number 1992 and reported on the reimbursement claim as “Other: Local Revenue.”
- Ascertain that the Canteen Fund is closed to the Pupil Activity Fund at year-end.

See additional information regarding canteen operations provided in USDA memorandums in appendix L.

SDE contact: Andrew Thomas  
803-734-8194  
anthomas@ed.sc.gov

**Carl D. Perkins Vocational and Technical  
Education Act of 1998**

**CFDA 84.048, 84.243**

**I. Program Objectives**

The stated purpose of the Carl D. Perkins Vocational and Technical Education Act of 1998 (Perkins III) “is to develop more fully the academic, vocational, and technical skills of secondary students and postsecondary students who elect to enroll in vocational and technical education programs.”

**II. Program Procedures for Title I Secondary Funds (CFDA 84.048A)**

Funds are forwarded to each state education agency (SEA) based on statutory formula for allocation to local education agencies (LEAs). Funds are then granted to LEAs that have approved project applications on file with the SEA describing the activities to be undertaken with the career and technology education funds.

**III. Compliance Requirement(s) and Suggested Audit Procedure(s)**

**A. Types of Services Allowed or Disallowed**

**Compliance Requirement**

An LEA may use Perkins III Title I Secondary Programs funds only for services and activities (a) that are specified in Perkins III and outlined in the *Instructions for Preparing the FY 2001–2004 Local Plan for Career and Technology Education*, (b) that comply with all applicable Perkins III requirements (Pub. L. No. 105-332), and (c) that are included in an application approved by the SEA.

**Suggested Audit Procedure(s)**

- Review the approved project application including all amendments to determine approved activities for uses of funds.
- Review expenditures and supporting documentation to ascertain if funds were expended for approved activities.
- Review approved CATE programs/courses found in Appendix C of the Student reporting Procedures Manual at <http://www.ed.sc.gov/agency/offices/cate/datacollection/>

Compare these approved programs/courses with those funded with Perkins funds to determine that these funds were only used for CATE approved programs/courses.

## **B. Maintenance of Effort**

### **Compliance Requirement**

The fiscal effort per student or aggregate expenditures from state and local sources for vocational education for the fiscal year preceding the fiscal year for which the determination is made must at least equal the effort or expenditures for vocational education for the second preceding fiscal year. (Pub. L. No. 105-332; Title III, Part A, 311 (b)) of Perkins III)

### **Suggested Audit Procedure(s)**

- Review the second and first preceding years' financial and related records to determine state and local vocational expenditures.
- Review, if necessary, the second preceding and first preceding years' pupil records to determine the per pupil expenditure.

## **C. Supplement, Not Supplant**

### **Compliance Requirement**

An LEA may use Perkins III funds only to supplement and not to supplant nonfederal funds expended to carry out vocational education activities. (Pub. L. No. 105-332, § 511(a)(4); Title III, Part A, Section 311(a) of Perkins III)

### **Suggested Audit Procedure(s)**

- Review financial and pupil records to determine the expenditures for children participating in programs financed by Perkins III funds.
- Ascertain the amount financed with federal funds.
- Identify vocational education services provided to all children with state and local funds.
- Determine whether Perkins III funds were used to provide services that supplement or were in addition to services that would be provided with state and local funds.

## **D. Noncommingling of Funds**

### **Compliance Requirement**

Federal funds allotted to an LEA shall not be commingled with state or local funds so as to lose their identity as federal funds. A separate ledger account shall be maintained in the Special Revenue Fund by project number to assure that each expenditure of federal funds can be identified as such.

**Suggested Audit Procedure(s)**

- Review the financial records to ensure that funds received by the LEA under Perkins III are recorded by project number in the Special Revenue Fund and not commingled with state and local funds.

**IV. Program Procedures for Title I Postsecondary Funds (CFDA 84.048A)**

Funds are forwarded to each SEA based on statutory formula for allocation to two- year postsecondary institutions. Funds are then granted to two-year postsecondary institutions that have approved project applications on file with the SEA describing the activities to be undertaken with the vocational funds.

**Types of Services Allowed or Disallowed**

**Compliance Requirement**

An LEA may use Perkins III Title I Postsecondary funds only for services and activities that comply with all applicable Perkins III requirements (Pub. L. No. 105-332) and are included in a two-year postsecondary application approved by the State Board for Technical and Comprehensive Education.

**Suggested Audit Procedure(s)**

- Review the Tech Prep consortium application to determine approved activities for uses of postsecondary funds.
- Review expenditures and supporting documentation to ascertain if funds were expended for approved activities.

**V. Program Procedures for Title II Tech Prep Education Funds (CFDA 84.243A)**

Funds are forwarded to each SEA based on statutory formula for allocation to Tech Prep Consortia. Funds are then granted to Tech Prep Consortia that have approved project applications on file with the SEA describing the activities to be undertaken with the vocational funds.

**Types of Services Allowed or Disallowed**

**Compliance Requirement**

An LEA may use Perkins III Title II Tech Prep funds only for services and activities that comply with all applicable Perkins Act requirements (Pub. L. No. 105-332) and are included in a Tech Prep application approved by the SEA.



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**Suggested Audit Procedure(s)**

- Review the Tech Prep consortium application to determine approved activities for uses of funds.
- Review expenditures and supporting documentation to ascertain if funds were expended for approved activities.

SDE contact: Joe Williams  
803-734-8456  
jwilliam@ed.sc.gov

**Enhancing Education through Technology (E2T2)**  
**Title II, Part D**

**CFDA 84.318**

**I. Program Objective**

The primary goal of the Enhancing Education through Technology program is to improve student academic achievement through the use of technology in elementary and secondary schools. It is designed to assist every student in becoming technologically literate by the end of eighth grade. The purpose of the program is, among other things, to assist States and localities in implementing and supporting a comprehensive system that effectively uses technology in elementary and secondary schools to improve student academic achievement.

**II. Program Procedures**

State educational agencies (SEAs) in the 50 States, the District of Columbia, Puerto Rico, the Outlying areas, and the Bureau of Indian Affairs (BIA) are eligible to participate in the program.

An “eligible local entity” is either a “high-need LEA” or an “eligible local partnership” (Section 2403(3) of the ESEA, as amended by the NCLB (20 USC 6753(1))).

A “high need LEA” is an LEA that (Section 2403(3) of the ESEA as amended by the NCLB (20 USC 6753(3))):

- (1) Is among those LEAs in the State with the highest numbers or percentages of children from families with incomes below the poverty line; and
- (2) Serves one or more schools identified for improvement or corrective action under Section 1116 of the ESEA, or has a substantial need for assistance in acquiring and using technology.

An “eligible local partnership” is a partnership that includes at least one high-need LEA and at least one of the following (Section 2403(3) of the ESEA, as amended by the NCLB (20 USC 6753(2))):

- (1) An LEA that can demonstrate that teachers in its schools are effectively integrating technology and proven teaching practices into instruction, based on a review of relevant research, and that integration results in improvement in classroom instruction and in helping students meet challenging academic standards.
- (2) An institution of higher education that is in full compliance with the reporting requirements of section 207(f) of the Higher Education Act of 1965, as amended, and that has not been identified by the State as low-performing under that act.
- (3) A for-profit business or organization that develops, designs, manufactures, or produces technology products or services or has substantial expertise in the application of technology in instruction.
- (4) A public or private nonprofit organization with demonstrated expertise in the application of educational technology in instruction.

In making competitive awards, an SEA must give priority to applications from LEAs that receive formula allocations too small to carry out the purposes of the program effectively. In addition, an SEA must ensure that competitive awards are of sufficient size and duration to carry out the purposes of the program effectively (Section 2412(b) of the ESEA, as amended by the NCLB (20 USC 6762(b))).

Competitive grant applicants must submit grant proposals to the Office of Technology by the given deadline. All proposals must include a project narrative with a needs assessment, an evaluation plan that includes goals, objectives, data sources, and indicators, and a budget worksheet including a timeline of activities for the three-year duration of the grant award. Finalists are then invited to attend round two interviews conducted by outside evaluators. The grant recipients are decided after the interviews.

All districts receive a portion of the formula grant allocation. Before receiving funds, districts must submit a project narrative with a needs assessment, an evaluation plan that includes goals, objectives, data sources, and indicators, and a budget worksheet including a timeline of activities for the three-year duration of the grant award.

### III. Compliance Requirements and Suggested Audit Procedure(s)

#### A. Types of Services Allowed or Unallowed

##### **Compliance Requirement (Competitive and Formula Grants)**

Each E2T2 recipient must use at least 25 percent of its funds to provide ongoing, sustained, and intensive, high-quality professional development. **(This requirement applies to both formula and competitive grant funds.)**

LEAs may use funds for:

- (a) Increasing accessibility to technology, particularly through public-private partnerships, with special emphasis on accessibility for high-need schools.
- (b) Adapting or expanding applications to technology to enable teachers to increase student academic achievement, including technology literacy, based on the review of relevant research and use of innovative distance learning strategies.
- (c) Acquiring proven and effective courses and curricula that include integrated technology and that are designed to help student reach challenging academic standards.
- (d) Using technology to promote parental involvement and foster communication among students, parents, and teachers about curricula, assignments, and assessments.
- (e) Preparing one or more teachers in schools as technology leaders who will assist other teachers, and providing bonus payments to the technology leaders.
- (f) Enhancing existing technology and acquiring new technology to support education reforms and to improve student achievement.
- (g) Acquiring connectivity linkages, resources, and services to be used by students and school personnel to improve academic achievement.
- (h) Using technology to collect, manage, and analyze data to inform and enhance teaching and school improvement efforts.

- (i) Implementing enhanced performance measurement systems to determine the effectiveness of education technology programs funded with Ed Tech funds.
- (j) Developing, enhancing, or implementing information technology courses.

**Suggested Audit Procedure(s)**

Check expenditures to ensure twenty-five percent of the grant award is being used for professional development. The technology coach's salary can be included in this calculation. Test the expenditure records to ensure funds are being spent on allowable services.

**B. Allowable Costs/Cost Principles**

**Compliance Requirement (Competitive and Formula Grants)**

**Consolidation of administrative funds**

If an LEA consolidates administrative funds, the LEA may not use any other funds from the consolidating programs for administration. An LEA that consolidates administrative funds is not required to keep separate records of administrative costs for each individual program. Expenditures of consolidated administrative funds are allowable if they are for administrative costs that are allowable under any of the contributing programs.

**Suggested Audit Procedure(s)**

- Test the expenditure records to ensure administrative funds are being spent on allowable costs.

**Compliance Requirement (Competitive and Formula Grants)**

**Transferability (SEAs and LEAs)**

LEAs not identified for corrective action under Section 1116 of ESEA may transfer funds from one or more of the listed applicable programs to another listed applicable program or to Title I, Part A. Listed applicable programs are:

CFDA 84.010 Title I Grants to Local Education Agencies (LEAs) (Part A, Title I)  
CFDA 84.186 Safe and Drug-Free Schools and Communities—State Grants (Part A, Title IV)  
CFDA 84.287C Twenty-First Century Community Learning Centers (Part B, Title IV)  
CFDA 84.298 Innovative Education Program Strategies (Part A, Title V)  
CFDA 84.318 Education Technology State Grants (Part D, Title II)  
CFDA 84.365 English Language Acquisition Grants (Title III)  
CFDA 84.367 Improving Teacher Quality State Grants (Subpart 2, Part A, Title II); (Sections 6211(a)-(c) of ESEA (20 USC 7345(a)-(c)))

LEAs identified for corrective action may not transfer funds (Sections 6123(a) and (b) of ESEA (20 USC 7305b(a) and (b))). LEAs identified for school improvement are required to use transferred funds for school improvement activities (Section 6123(e) of ESEA (20 USC 7305b(e))).

**Suggested Audit Procedure(s)**

- Ascertain if LEA is or is not identified for corrective action making them eligible to transfer funds to other applicable programs. If an LEA is identified for corrective action, funds may not be transferred.

**C. Level of Effort**

**Compliance Requirement (Competitive and Formula Grants)**

General - An LEA may use program funds only to supplement and, to the extent practical, increase the level of funds that would, in the absence of the Federal funds, be made available from non-Federal sources for the education of participating students. In no case may an LEA use Federal program funds to supplant funds from non-Federal sources.

In the following instances, it is presumed that supplanting has occurred:

- a. The SEA or LEA used Federal funds (except Bilingual) to provide services that the SEA or LEA was required to make available under other Federal, State or local laws.
- b. The SEA or LEA used Federal funds to provide services that the SEA or LEA provided with non-Federal funds in the prior year.
- c. The SEA or LEA used Title I, Part A or MEP funds to provide services for participating children that the SEA or LEA provided with non-Federal funds for nonparticipating children.

These presumptions are rebuttable if the SEA or LEA can demonstrate that it would not have provided the services in question with non-Federal funds had the Federal funds not been available.

**Suggested Audit Procedure(s)**

- Examine budget expenditures to ensure that supplanting has not occurred.

## **D. Special Tests and Provisions**

### **Compliance Requirement (Competitive and Formula Grants)**

An LEA, or any other educational service agency (or consortium of such agencies) receiving financial assistance under an applicable program must provide eligible private school children and their teachers or other educational personnel with equitable services or other benefits under these programs. Before an agency or consortium makes any decision that affects the opportunity of eligible private school children, teachers, and other educational personnel to participate, the agency or consortium must engage in timely and meaningful consultation with private school officials (Section 9501 of ESEA (20 USC 7881); Title I, Section 1120 of ESEA (20 USC 6320); 34 CFR sections 200.62 through 200.67; and Title V, Part A, Section 5142 of ESEA (20 USC 7217a)). If an LEA uses funds to concentrate services on a particular “group, attendance area, or grade or age level,” private school children in that “group, attendance area, grade or age level” are to be assured equitable participation in projects. Expenditures for services and benefits to eligible private school children and their teachers and other educational personnel must be equal on a per-pupil basis to the expenditures for participating public school children and their teachers and other educational personnel, taking into account the number and educational needs of the children, teachers and other educational personnel to be served. (Section 9501 of ESEA (20 USC 7881); 34 CFR section 299.7)

### **Suggested Audit Procedure(s)**

- Ascertain records and documents from eligible private schools regarding their participation in the E2T2 program. Private schools can opt out of the program. If this is the case, districts should provide documentation and signatures to support this.
- Determine if the LEA, SEA, or other agency receiving ESEA funds has conducted timely consultation with private school officials to determine the kind of educational services to provide to eligible private school children,
- Determine if the planned services were provided, and
- Determine if the required amount was used for private school children.

## **E. Other Information**

### **Compliance Requirement (Competitive and Formula Grants)**

Districts receiving E2T2 formula and/or competitive grant funds must have a new or updated long-range strategic educational technology plan that has been approved by the State Department of Education.

### **Suggested Audit Procedure(s)**

- Review the local technology plan to ensure it is updated, current and approved by the Office of Technology.

**Compliance Requirement (Competitive Grants Awards Only)**

Each E2T2 competitive grant recipient is required to use a portion of allocated funds to provide a school technology coach at each school participating in the grant program. Funds for the school technology coach can be taken from the federal twenty-five percent professional development fund expenditure requirement. Under no circumstances will this position be eliminated or compromised after an award has been given. Altering the requirements and intent of the school technology coach could result in cancellation of the grant award.

**Suggested Audit Procedure(s)**

- Ascertain proof of technology coach employment along with a daily schedule of activities. Technology coaches are to be used for professional development, not student instruction or technical support.

**F. Reporting Requirements**

**Compliance Requirement (Competitive and Formula Grants)**

Expenditure reports are to be submitted and approved for reimbursement. Budget amendments must be submitted and approved by the Office of Technology.

**Suggested Audit Procedure(s)**

- Examine expenditure reports and budget amendments to ascertain if required approval was obtained and that allowable expenditures were executed.

**Compliance Requirement (Competitive and Formula Grants)**

In order to receive E2T2 funds, applicants must complete the South Carolina State Department of Education Online Technology Survey by July 20 of the preceding school year.

**Suggested Audit Procedure(s)**

- Examine report results for the online technology survey to check completion.

**Compliance Requirement (Competitive and Formula Grants)**

Accountability data and reporting are vital components of the grant process. Each district will be required to submit a needs assessment and baseline data as a part of their grant proposal project narrative. Upon completion of the grant, districts will be required to submit an annual interim report and a final report. These reports should include supporting data documenting project progress throughout the grant period and the measure of effectiveness that was achieved upon completion. Failure to comply with reporting requirements will result in discontinuation of an award. State conducted site

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visits will be performed to provide assistance and ensure that evaluation is taking place on a continuous basis.

**Suggested Audit Procedure(s)**

- Review the evaluation plan in the project and ensure that activities are taking place as written in the proposal. Ascertain proof that the interim and final reports have been completed by given deadlines.

SDE Contact: Dee Appleby  
803-734-7169  
dappleby@ed.sc.gov



## **FEMA Public Assistance Program**

**(CFDA 97.036)**

### **I. Program Objective**

The objective of the Public Assistance Program is to provide supplemental assistance to states, local governments, and selected nonprofit organizations for certain expenses and damages resulting from a major disaster or emergency declared by the President.

### **II. Program Procedures**

Following a presidential declaration of a major disaster or an emergency, the Federal Emergency Management Agency (FEMA) provides grants for public assistance to states and Indian tribal governments. The state or tribe may use the funds to restore its own disaster-damaged projects and to provide subgrants to local governments and selected private nonprofit organizations after the FEMA regional director approves applications for assistance that are made through the Governor's authorized representative or, in the case of tribal governments, are made directly to the FEMA regional director.

### **III. Compliance Requirement(s) and Suggested Audit Procedure(s)**

#### **A. Types of Services Allowed or Disallowed**

##### **Compliance Requirement**

Disaster assistance funds can be expended only on eligible expenses and damages and at approved rates specified in the approved grant agreement. Disaster assistance funds cannot be used for expenditures funded by federal programs. (44 C.F.R. § 206.226)

##### **Suggested Audit Procedure(s)**

- Review the approved grant agreement.
- Test the expenditure records.
- Determine the nature of expenditures and the sources of funding for disaster-related expenditures.

##### **Compliance Requirement**

Funds from insurance settlements, salvage, or other sources for specific losses must be deducted by the applicant from its claim. (44 C.F.R. § 206.250)

**Suggested Audit Procedure(s)**

- Review insurance policies, the minutes of legislative body meetings, and other sources likely to reveal the existence of insurance claims, salvage payments, and similar receipts.
- Test financial records to determine the manner in which such receipts were processed.
- Obtain a representation letter containing a statement that no insurance recoveries, salvage receipts, or other payments for specific losses were received other than those listed.

**Compliance Requirement**

Funds approved as an improved project can be used only as a contribution for the construction of larger or improved facilities that restore at least the predisaster capacity of the damaged or destroyed facility. (44 C.F.R. § 206.203)

**Suggested Audit Procedure(s)**

- Review a sample of project reports for damaged or destroyed facilities.
- Ascertain the amount approved for improved projects.
- Ascertain the costs for new facilities.

**Compliance Requirement**

Funds approved for an alternate project can be used only for alternate projects specifically approved by FEMA. While the grantee or subgrantee has flexibility to propose the type and size of “alternate projects” it wishes to construct, FEMA must review such proposed projects to ensure compliance with environmental and other special concerns. (44 C.F.R. § 206.203)

**Suggested Audit Procedure(s)**

- Review a sample of the alternate projects on which the claim was based and compare with the approved alternate projects.
- Ascertain the costs incurred for the alternate projects to ensure that the total cost of the projects equals or exceeds the federal, state, and local share.

**Compliance Requirement**

As a condition of receiving federal assistance for restoration of certain facilities, subgrantees are required to obtain and maintain specified types and extent of insurance. (44 C.F.R. § 206.253)

**Suggested Audit Procedure(s)**

- Review a sample of those projects for which insurance commitments were required.
- Determine whether the type and extent of insurance required were obtained and whether this insurance is being maintained.

**Compliance Requirement**

Projects must be completed with time limits established under 44 C.F.R. § 206.204.

**Suggested Audit Procedure(s)**

- Review a sample of projects to determine whether they were completed within approved time limits.

**B. Eligibility**

The auditor is not expected to test for eligibility.

**C. Matching, Level of Effort, and/or Earmarking Requirements**

**Compliance Requirement**

Costs must be on a shared basis as specified in the federal-state agreement. (Pub. L. No. 93-288; 43 U.S.C. § 5121 *et seq.*; 44 C.F.R. § 206.203)

**Suggested Audit Procedure(s)**

- Review the federal-state agreement to determine the cost-sharing requirements.
- Review financial and other records to determine the amount and nature of the state and local governments' share.

**D. Special Tests and Provisions**

**Compliance Requirement**

All costs of administering the Public Assistance Program at the subgrantee level are covered by a statutorily established percentage, and no costs of administering the program other than that percentage should be included in a subgrantee's claim. (44 C.F.R. § 206.228)

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**Suggested Audit Procedure(s)**

- Review the claim to ensure that costs covered by the statutorily established administrative expenses percentage are not claimed under the public assistance program even though such costs would normally be authorized under Office of Management and Budget (OMB) Circular A-87 for administration of a grant.

Contact: Jan Thomas  
S.C. Emergency Management Division  
2779 Fish Hatchery Road  
West Columbia, SC 29172-2024  
803-737-8500

## **Food Distribution/Commodities\***

### **CFDA 10.550**

\* The State Department of Education requires that the Food Distribution/Commodities program, the School Breakfast Program, and the School Lunch Program be combined for the compliance testing of the food service program.

#### **I. Program Objective**

The objective of the Food Distribution program is to improve the diets of school children and to increase the market for domestically produced foods acquired under surplus removal or price support operations.

#### **II. Program Procedures**

The program involves food being made available to a designated state agency such as a state department of education for distribution to recipient agencies such as schools. The food may not be sold, exchanged, or otherwise disposed of without prior, specific approval of the United States Department of Agriculture (USDA). The Food and Nutrition Service (FNS), the administering federal agency, also provides funds to defray, in part, the operating expenses incurred in the administering of the Food Distribution program. The states may also enter into an agreement, called a processing contract, with a commercial organization to use USDA-donated commodities to manufacture and deliver specific food products to eligible recipients.

#### **III. Compliance Requirement(s) and Suggested Audit Procedure(s)**

##### **A. Eligibility**

##### **Compliance Requirement**

Donated foods can be distributed only to recipient agencies:

- schools participating in the National School Lunch Program,
- public or private charitable institutions,
- nonprofit summer camps for children,
- agencies administering programs under Title III and Title VI of the Older Americans Act,
- state correctional institutions,
- service institutions that participate in the Summer Food Service Program for Children,
- nonresidential child-care institutions participating in the Child Care Food Program, and

- disaster organizations. (Pub. L. No. 97-35, § 803(a); 7 C.F.R. § 250.13)

**Suggested Audit Procedure(s)**

- Determine if the school district has transferred any donated foods to another recipient agency. All such transfers must be approved by the distributing agency.

**B. Matching, Level of Effort, and/or Earmarking Requirements**

There are no matching, level of effort, or earmarking requirements.

**C. Special Tests and Provisions**

**Compliance Requirement**

Recipient agencies (school districts) are required to distribute donated foods to eligible recipients (schools) in accordance with their agreement with the distributing agency. (7 C.F.R. § 250.12)

**Suggested Audit Procedure(s)**

- Review the agreement with the distributing agency.
- Review the system for the receipt and distribution of food and evaluate it for conformance with the agreement.
- Observe or review the manner in which food is distributed.
- Review the refund application file to assure that all refund item requests are substantiated by purchase invoices, that appropriate refund checks have been received, and that all refunds have been deposited to the school food service account.

**Compliance Requirement**

Recipient agencies are required to maintain accurate and complete records with respect to the receipt, disposal, and inventory of donated foods. (7 C.F.R. § 250.16)

**Suggested Audit Procedure(s)**

- Review files for selected allocations of foods to determine that form FD-3, "Notice of Issue," was submitted to the distribution warehouse for the quantity or quantities indicated on form FD-2, "Notice of Arrival," and that individual school delivery invoices match allocated quantities on the form FD-3 (or if form FD-3 not submitted or quantities not delivered, that they are documented as warehouse inventory). Please note that the FD-2 Forms were discontinued after January 1, 2007. The R/A History Report went online on the Department's web site and on that report the arrival dates are shown.

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- For selected foods, review to determine if total receipts have been used as documented on meal production records or if any difference is on hand as available inventory.
- Review the Recipient Agency (R/A) History Report to determine if all allocated foods have been properly accounted for.
- We are offering approved recipient agencies the **option** to implement the single inventory record keeping system.

Please see the attached documents in appendix L pertaining to this new procedure. The first document concerns commercial labels and the information on the waiver authorizing this new procedure. The second document explains the implications and changes with using commercial labels on commodities. The last document provides questions and answers for the single inventory record keeping system.

SDE contact: Craig Brooks  
803-734-8209  
cbrooks@ed.sc.gov

## Impact Aid, Title VIII

### CFDA 84.041

#### I. Program Objectives

The objective of the Impact Aid Program (IAP) under Title VIII of the Elementary and Secondary Education Act (ESEA) as amended by the Improving America's Schools Act (IASA) is to provide financial assistance to local educational agencies (LEAs) whose local revenues or enrollments are adversely affected by Federal activities. These activities include the Federal acquisition of real property (Section 8002) or the presence of children residing on tax-exempt Federal property or residing with a parent employed on tax-exempt Federal property ("federally connected" children) (Section 8003).

#### II. Program Procedures

Funds are provided on the basis of statutory criteria and data supplied by LEAs in applications submitted to the U. S. Department of Education (ED), with copies provided simultaneously to the State Educational Agency (SEA). ED makes payments directly to the LEA. Generally, payments under Section 8003 of the ESEA are based on membership and attendance counts of federally connected children, with additional funds provided for certain federally connected children with disabilities and children residing on Indian lands. Payments under Section 8002 of the ESEA are based on the estimated assessed value of eligible Federal property and the applicable tax rate, and, in case of insufficient funds, upon a statutory formula that considers past year payments. Except for the additional funds provided for federally connected children with disabilities under Section 8003(d) of the ESEA, funds provided under Sections 8002 and 8003 are considered general aid and generally have no restrictions on their expenditure. Any formula funds that are provided under Section 8007(a) of the ESEA to certain LEAs that received Section 8003 payments must be used for construction, as defined in the statute. Any discretionary construction grant funds that are provided under Section 8007(b) of the ESEA to certain LEAs that received Section 8002 or 8003 payments must be used for emergency repairs or modernization, as defined in the statute and regulations.

#### III. Compliance Requirement(s), Audit Objective, and Suggested Audit Procedure(s)

##### A. Types of Services Allowed or Disallowed

##### A-1 Allowable costs: Federally Connected Children with Disabilities

##### Compliance requirement

LEAs must use the payments provided under Section 8003(d) of the ESEA to conduct programs or projects for the free, appropriate public education of the federally connected children with disabilities who generated those funds.

Allowable costs include expenditures reasonably related to the conduct of programs or projects for the free, appropriate public education of children with disabilities, including program planning and evaluation and acquisition costs of equipment, except when the



title to that equipment would not be held by the LEA. Costs for school construction are not allowable (Section 8003 of ESEA; 34 CFR section 222.53(c)).

**Audit Objective (LEA)**

To determine whether the services or programs provided with Section 8003(d) funds were allowable activities.

**Suggested Audit Procedure(s)**

Select a sample of expenditures and determine whether they (a) were for allowable activities and (b) were properly classified.

**A-2 Allowable Costs: Construction**

**Compliance Requirement**

LEAs that receive payments under Section 8003 of the ESEA and that meet certain other statutory criteria may receive formula assistance under Section 8007(a) of the ESEA in any fiscal year that the Congress appropriates funds under that Section.

LEAs must use the payments provided under Section 8007(a) for construction, as defined in Section 8013(3) of the ESEA.

Under Section 8013(3), the term “construction” includes: (1) the preparation of drawings and specifications for school facilities; (2) erecting, building, acquiring, altering, remodeling, repairing, or extending school facilities; (3) inspecting and supervising the construction of school facilities; and (4) debt service for such activities (Sections 8007 and 8013(3) of ESEA).

Certain LEAs that receive payments under section 8002 or 8003 of the ESEA and that meet other statutory and regulatory criteria may receive discretionary grant assistance under Section 8007(b) of the ESEA. Selected grantees must use these funds for emergency or modernization construction grant expenditures, as specified in their grant award documents. Emergency and modernization are defined in 34 CFR section 222.176 and the allowable and unallowable uses of these funds are detailed in 34 CFR sections 222.172 through 222.174.

**Audit Objective (LEA)**

To determine whether the activities funded with Section 8007 funds were allowable.

**Suggested Audit Procedure(s) (LEA)**

Select a sample of expenditures and determine whether they were (1) for allowable activities and (2) were properly classified.

Review the General Ledger and other expenditure records to determine if costs were properly included in totals for program expenditures.

## **B. Davis-Bacon Act**

### **Compliance Requirement**

Funds spent on Section 8007 construction are subject to the Davis-Bacon Act prevailing wage requirements (20 USC 1232b).

### **Audit Objective**

To determine if the prevailing wage requirements of the Davis-Bacon Act were met.

### **Suggested Audit Procedure(s) (LEA)**

Review payments made to contractors and/or subcontractors to determine if the prevailing wage requirements of the Davis-Bacon Act were met.

## **C. Matching, Level of Effort, Earmarking**

### **Compliance Requirement**

Section 8003(d) funds may not supplant any State funds (either general or special education State aid) that were or would have been available to the LEA for the free, appropriate public education of federally connected children with disabilities counted under Section 8003(d). A reduction in the per-pupil amount of State aid for children with disabilities, including children counted under Section 8003(d), from that received in the previous year raises a presumption that supplanting has occurred. An LEA can rebut this presumption by demonstrating that the reduction was unrelated to the receipt of Section 8003(d) funds (Section 8003(d) of ESEA; 34 CFR section 222.54).

### **Audit Objective**

To determine whether the use of the funds for services awarded under Section 8003(d) was supplementary to the services provided with state and local funds.

### **Suggested Audit Procedure(s)**

Compare the LEA's prior year general state aid per pupil and state aid per pupil for children with disabilities with its current year state aid per pupil in those categories to determine if supplanting occurred.

Review procedures and records as necessary to ensure that the federal program did not supplant nonfederal funds and that nonfederal spending levels meet or exceed the federal program requirements.

## **D. Reporting**

### **Compliance Requirement**

Each year an LEA must submit the Application for Impact Aid - Section 8003 (OMB No. 1810-0036), which provides the following information: counts of federally connected children in various categories, membership and average daily attendance data, and information on expenditures for children with disabilities. Membership and average attendance data should be tested.

### **Audit Objective**

To determine whether the LEA submitted the annual Application for Impact Aid and adequately reported data on membership and average attendance.

### **Suggested Audit Procedure(s)**

The auditor should use professional judgment when determining which tables to test, taking into account the relative materiality of the number of children reported in other tables.

## **E. Special Tests and Provisions**

### **Compliance Requirement**

For each fiscal year, the amount of expenditures for special education and related services provided to federally connected children with disabilities must be at least equal to the amount of funds received or credited under Section 8003(d) of the ESEA for that fiscal year. This is demonstrated by comparing the amount of Section 8003(d) funds received or credited with the result of the following calculation:

a. Divide total LEA expenditures for special education and related services for all children with disabilities by the average daily attendance (ADA) of all children with disabilities served during the year.

b. Multiply the amount determined in a. above by the ADA of the federally connected children with disabilities claimed by the LEA for the year.

If the amount of section 8003(d) funds received or credited is greater than the amount calculated above, an overpayment equal to the excess section 8003(d) funds exists. This overpayment may be reduced or eliminated to the extent that the LEA can demonstrate that the average per pupil expenditure for special education and related services provided to federally connected children with disabilities exceeded its average per pupil expenditure for serving non-federally connected children with disabilities (Section 8003(d) of ESEA; 34 CFR section 222.53(d)).

### **Audit Objective**

To determine whether the LEA met the required level of expenditure for providing special education and related services to federally connected children with disabilities.

**Suggested Audit Procedures**

Review the LEA's calculation to ascertain if it shows that the required level of expenditure for federally connected children was met. Check accuracy of calculation.

Trace amounts used in the calculation to supporting records.

If the LEA's calculation shows that an overpayment was made, verify that the average per pupil expenditure for federally connected children with disabilities exceeded the average per pupil expenditure for non-federally connected children to the extent of the overpayment.

SDE contact: none (direct aid)

## **Improving Teacher Quality, Title II, Part A**

### **CFDA 84.367**

#### **I. Program Objective**

The objective of the Improving Teacher Quality Program is to increase student academic achievement by improving teacher and principal quality and ensuring that all teachers are highly qualified.

#### **II. Program Procedures**

Improving Teacher Quality funds are awarded to the state following a submission of a consolidated state application or by submitting a separate program specific application to the U.S. Department of Education (USDE). The State Department of Education (SDE) then distributes 95 percent of the funds to the local school districts, after reserving up to one percent for administration costs incurred by the SDE and the Commission on Higher Education (CHE). The SDE also retains 2.5 percent of the funds for state-level program activities. The CHE receives 2.5 percent of the funds, or up to \$125 million among all institutions of higher education (IHE), to make competitive subgrants to eligible partnerships between IHEs and eligible school districts.

Funds are awarded to a school district following submission of a Title II, Part A plan to the SDE and approval of this plan by project coordinators. The amount of each school district allocation is based on the amount of funds the district received in FY 2001 under the former Eisenhower Professional Development and Class-Size Reduction programs and the district's share of any funds still remaining (according to a formula based on 20 percent relative population of children ages five through seventeen and 80 percent relative poverty of children ages five through seventeen from families with incomes below the poverty line).

#### **III. Compliance Requirement(s), Audit Objective, and Suggested Audit Procedure(s)**

Districts must maintain the level of their non-Federal fiscal effort in the prior year in order to receive a full allocation of Title II, Part A funds. The SDE calculates whether a district has maintained effort on the basis of either (a) the combined fiscal effort per student, or (b) the aggregate level of expenditures from local and state funds with respect to the provision of free public education for the preceding fiscal year.

##### **Audit Objective**

To determine whether districts used Title II, Part A funds for allowable purposes and if maintenance of local effort requirements were met.

**Suggested Audit Procedure(s)**

Conduct a random sample of district expenditures to determine that they were properly classified, allowable activities that were included in the district's approved Title II, Part A plan.

**IV. Reporting Requirements**

Each school district must report through SASI to the SDE the progress being made toward meeting the state's teacher quality goals. The SDE must report the information to the USDE.

SDE Contacts:	Deborah Larkin	or	Catherine Samulski
	(803) 734-3454		803-734-4068
	dlarkin@scteachers.org		csamulski@scteachers.org

## **Individuals with Disabilities Education Act**

### **SPECIAL EDUCATION STATE GRANTS**

#### **(Assistance to States for Education of Children with Disabilities)**

#### **CFDA 84.027**

#### **I. Program Objective**

The objective of the assistance to states from the Individuals with Disabilities Education Act (IDEA) is to provide a free, appropriate public education to all children with disabilities.

#### **II. Program Procedures**

Grants are made to states following their submission of acceptable applications. The SEA, in turn, funds LEAs that submit applications to the SEA for approval.

#### **III. Compliance Requirement(s) and Suggested Audit Procedure(s)**

##### **A. Eligibility**

##### **Compliance Requirement**

Only children who are determined in accordance with State Board of Education regulations to be mentally disabled, hearing impaired, deaf, speech impaired, autistic, traumatic brain injured, visually impaired, seriously emotionally disabled, orthopedically impaired, other health impaired, specific learning disabled, deaf-blind, or multiple disabled and who, because of these impairments, need special education and related services are eligible for participation in this program and may be counted. (34 C.F.R. §§ 300.5(a), 300.530–543, 750–754)

##### **Suggested Audit Procedure(s)**

- Determine the above eligibility by using, individualized education programs (IEPs), or evaluations as appropriate, for all disability categories.
- A selected representative number of participating students in the LEA will be determined by the number of students with disabilities served by the LEA utilizing the following method:

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<b><u>Number of Pupils with Disabilities Served by LEA in Current Fiscal Year</u></b>	<b><u>Total Amount to Be Reviewed</u></b>	<b><u>Sample of Review</u></b>
0–1,500	25	3 EMD 2 TMD 1 PMD 1 TBI 3 ED 5 LD 1 VI 1 AU 1 HI 1 OI 5 Speech 1 Homebound
1,501–3,000	35	7 EMD 2 TMD 1 PMD 1 TBI 4 ED 8 LD 1 VI 1 AU 1 HI 1 OI 7 Speech 1 Homebound
3,001–4,500	45	8 EMD 3 TMD 1 PMD 1 TBI 4 ED 10 LD 2 VI 1 AU 2 HI 2 OI 10 Speech 1 Homebound
4, 501 and above	55	10 EMD 5 TMD 1 PMD 1 TBI 6 ED 12 LD 2 VI 1 AU 2 HI 2 OI 12 Speech 1 Homebound

- Select the required number of folders.



- Review the IEP to determine the category of disability as follows:

Educable Mentally Disabled (EMD)  
Trainable Mentally Disabled (TMD)  
Profoundly Mentally Disabled (PMD)  
Traumatic Brain Injured (TBI)  
Emotionally Disabled (ED)  
Learning Disabilities (LD)  
Visually Impaired (VI)  
Hearing Impaired (HI)  
Orthopedically Impaired (OI)  
Speech Disabled  
Homebound

In the event that the LEA does not have pupils served in any of the above areas, the area and number of folders to be reviewed should be deleted from the sample.

## **B. Matching, Level of Effort, and/or Earmarking Requirements**

### **Compliance Requirement**

The total amount or average per capita amount of state and local school funds budgeted by the local education agency for expenditures in the current fiscal year for the education of children with disabilities must be at least equal to the total amount or average per capita amount of state and local school funds actually expended for the education of children with disabilities in the most recent preceding fiscal year for which the information is available.

Allowance may be made for the following:

- the voluntary departure, by retirement or otherwise, of special education personnel, or the departure of such personnel for just cause;
- the termination of the obligation of the agency to provide a program of special education to a particular child with a disability that is an exceptionally costly program because the child
  - ⇒ has left the jurisdiction of the agency,
  - ⇒ has reached the age at which the obligation of the agency to provide free appropriate public education has terminated, or
  - ⇒ no longer needs such program of special education;

- a decrease in enrollment of children with disabilities; and
- unusually large amounts of funds expended for such long-term purposes as the acquisition of equipment and construction of school facilities. (34 C.F.R. § 300.230)

When the federal appropriations exceed \$4.1 billion, LEAs may use up to 20 percent of the increase to reduce their effort of the previous year.

### **Suggested Audit Procedure(s)**

Compare the total expenditure for students with disabilities in the General Fund, the EIA Fund, and the Special Revenue Fund (excluding any federal dollars) for the audit period with the total expenditure for students with disabilities in these funds for the prior period. The total expenditure for the audit period must at least be equal to or greater than the total expenditure in the prior period. From each of these applicable funds, include *only* the following function codes:

Function Code 120 Series  
Function Codes 131–138  
Function Code 161 Autism  
Function Code 210 Series  
Function Code 221 Improvement of Instruction Curriculum Development  
Function Codes 223–224  
Function Codes 271 Pupil Service Activities

Allowance may be made for the following:

- the voluntary departure, by retirement or otherwise, of special education personnel, or the departure of such personnel for just cause;
- the termination of the obligation of the agency to provide a program of special education to a particular child with a disability that is an exceptionally costly program because the child
  - ⇒ has left the jurisdiction of the agency,
  - ⇒ has reached the age at which the obligation of the agency to provide free appropriate public education has terminated, or
  - ⇒ no longer needs such program of special education;
- a decrease in enrollment of children with disabilities; and
- unusually large amounts of funds expended for such long-term purposes as the acquisition of equipment and the construction of school facilities.

SDE contact: Vanessa Nelson-Reed  
803-734-8788  
vnelson@ed.sc.gov

**Innovative Programs, Title V, Part A  
Public Law 107–110**

**CFDA 84.298A**

**I. Program Purposes**

The purposes of Title V, Part A are

- to support local educational reform efforts that are consistent with and support statewide education reform efforts
- to provide funding to enable state education agencies (SEAs) and local education agencies (LEAs) to implement promising educational reform programs and school improvement programs;
- to provide a continuing source of innovation and educational improvement, including support for library services and instructional and media materials;
- to meet the educational needs of all students, including at-risk youth; and
- to develop and implement education programs to improve school student, and teacher performance, including professional development activities and class size reduction programs.

**II. Program Procedures**

Title V, Part A funds are obtained by a state following its submission of an application or consolidated plan to the Secretary of Education that satisfies the application requirements as stipulated in the statute. The SEA distributes at least 85 percent of the funds to its LEAs that have filed an application that meets certain requirements. These funds are distributed to LEAs according to the relative enrollments in public and private nonprofit schools within the school districts of the LEAs, adjusted to provide higher per pupil allocations to those LEAs with children whose education imposes a higher than average cost per child. The criteria for making these adjustments must be approved by the Secretary of Education. LEAs have complete discretion, subject only to legal requirements, in determining the allocation of expenditures of Title V, Part A funds among the allowable program activities. (Title V, Part A, Subpart 1, Section 5112 (a) (1))

**III. Compliance Requirement(s) and Suggested Audit Procedure(s)**

In addition to the federal requirements, each SEA has the authority, in accordance with state law, to issue rules consistent with federal statutes and regulations. The auditor is encouraged to review these rules prior to beginning the audit.

## **A. Types of Services Allowed**

### **Compliance Requirement**

An LEA may use Title V, Part A funds to support one or more of the innovative assistance programs described in Section 5112(a), which include

- programs to recruit, train, and hire teachers to reduce class size, and professional development activities carried out in accordance with Title II;
- technology activities related to the implementation of school-based reform efforts, including professional development for school personnel in regard to how to use technology effectively in the classrooms and the school library media centers involved;
- programs for the development or acquisition and use of instructional and educational materials, including library services and materials, media materials, academic assessments, reference materials, computer software and hardware for instructional use, and other curricula materials that are tied to high academic standards which will be used to improve student academic achievement and are a part of an overall education reform program;
- promising education reform projects, including magnet schools;
- programs to improve the academic achievement of educationally disadvantaged students, including drop-out prevention activities;
- programs to improve the literacy skills of adults, especially the parents of children served by the LEA, including adult education and family literacy programs;
- programs to provide for the educational needs of gifted and talented children;
- the planning, design, and initial implementation of charter schools as described in Part B of Title V;
- school improvement programs or activities as described in Sections 1116 and 1117 of Title I;
- community service programs that use qualified school personnel to train and mobilize young people to measurably strengthen their communities through nonviolence, responsibility, compassion, respect, and moral courage;
- activities to promote consumer, economic, and personal finance education;
- activities to promote, implement, or expand public school choice;
- programs to hire and support school nurses;
- expansion and improvement of school-based mental health services, including early identification of drug use and violence, assessment, and direct individual and group

counseling services provided to students, parents, and school personnel by qualified school-based mental health services personnel;

- alternative educational programs for suspended/expelled students, and programs to assist reentry of these students to the regular educational setting;
- programs to establish or enhance Pre-Kindergarten programs;
- academic intervention programs that are operated jointly with community based organizations and that support academic enrichment, and counseling programs conducted during the school day (including extended school day or extended school year programs) for students most at risk of not meeting state academic achievement standards or not completing secondary school;
- programs for cardiopulmonary resuscitation (CPR) training in schools;
- programs to establish smaller learning communities;
- activities that encourage and expand improvements throughout the area served by the LEA that are designed to advance student academic achievement;
- initiatives to generate, maintain, and strengthen parental and community involvement;
- programs and activities that expand learning opportunities through best practice models designed to improve classroom learning and teaching;
- programs to provide same gender schools and classrooms (consistent with applicable law);
- service learning activities;
- school safety programs;
- programs that employ research-based cognitive and perceptual development approaches and rely on a diagnostic-prescriptive model to improve students' learning of academic content; and
- supplemental educational services as defined in Section 1116(e) of Title I.

#### **Suggested Audit Procedure(s)**

- Evaluate the adequacy of the policies and procedures developed by the LEA for the use of Title V, Part A funds.
- Ensure that the LEA uses funds for targeted assistance programs.
- Determine if actual expenditures of funds are for targeted assistance programs and are in accordance with the LEA's application.

## **B. Eligibility**

The auditor is not expected to make tests for eligibility.

## **C. Reporting Requirements**

### **Compliance Requirement**

An LEA must report annually to the SEA on the LEA's use of Title V, Part A funds and must provide any other information as may reasonably be required for program evaluation consistent with the SEA's responsibilities. (Section 5133)

### **Suggested Audit Procedure(s)**

- Evaluate the adequacy of the policies and procedures used by the LEA to ensure accurate, complete, and timely reporting to the SEA to ensure that the LEA complies with the reporting requirements.
- Test to determine if the LEA complied with the reporting requirements.

## **D. Special Tests and Provisions**

### **Compliance Requirement**

An LEA may use Title V, Part A funds only to supplement, and in no case to supplant, nonfederal funds that would, in the absence of Title V, Part A funds, be made available. (Section 5144)

### **Suggested Audit Procedure(s)**

- Evaluate the adequacy of the policies and procedures used by the LEA to ensure that Title V, Part A funds expended by the LEA are used to supplement and not to supplant nonfederal funds in order to ensure compliance with this provision.
- Determine if the LEA follows prescribed policies and procedures to ensure that Title V, Part A services provided and funds expended by the LEA supplement nonfederal funding.
- Check to see if services currently paid with Title V, Part A funds were previously paid from nonfederal sources or if Title V, Part A funds are used for services required by state or federal law; either is a violation.

### **Compliance Requirement**

An LEA shall provide children enrolled in private nonprofit elementary and secondary schools in the school district of the LEA with secular, neutral, and nonideological services, materials, and equipment or other benefits that will ensure equitable (as

compared to children enrolled in public schools) participation of private school children in the purposes and benefits of Title V, Part A.

**Suggested Audit Procedure(s)**

- Evaluate the adequacy of the policies and procedures used by the LEA for determining the numbers and needs of children in private schools to ensure that the services provided to children enrolled in private nonprofit elementary and secondary schools are equitable as compared to services provided to children enrolled in public schools.
- Ascertain the amount of Title V, Part A expenditures for services to private school children and determine whether those expenditures are equal (consistent with the number of children to be served) to expenditures for Title V, Part A services for public school children, taking into account the needs of the individual children and other factors that relate to such expenditures in accordance with Section 5142.
- Determine if the LEA followed policies and procedures and provided equitable services.

**Compliance Requirement**

An LEA may obligate Title V, Part A funds only during the federal fiscal year for which the funds were appropriated and during the succeeding federal fiscal year.

**Suggested Audit Procedure(s)**

- Document the policies and procedures established for obligating Title V, Part A funds.
- Evaluate the adequacy of these procedures to ensure that Title V, Part A funds are obligated within the period of availability.
- Test to determine if the prescribed policies and procedures were adhered to and if Title V, Part A funds were properly obligated within the period of availability.

**Compliance Requirement**

An LEA must retain records, for audit and evaluation, for five years after completion of the project activity or until audit resolution is complete.

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**Suggested Audit Procedure(s)**

- Review procedures for retention of records to check their adequacy.
- Review correspondence to determine whether there were any instances of required records not being available.

SDE Contact: Woody Lucas  
803-734-8118  
wlucas@ed.sc.gov



## **Language Instruction for Limited English Proficient and Immigrant Students, Title III**

### **BASIC STATE GRANT PROGRAM**

#### **CFDA 84.365**

#### **I. Program Objective**

The objectives of the Title III English Language Acquisition—Basic State Grant Program are to ensure that limited English proficient children (LEP) and youth, including immigrant children and youth, attain English proficiency and meet the same challenging State academic content and student academic achievement standards as all children and youth are expected to meet; to provide assistance to Native American, Native Hawaiian, Native American Pacific Islander, and Alaska native Children with certain modifications relative to the unique status of native American language under Federal Law; and to develop to the extent possible, the native language skills of such children.

#### **II. Program Procedures**

Title III funds are obtained by the state following its submission of an application or consolidated plan to the Secretary of Education to provide language instruction for limited English proficient and immigrant students as stipulated in the statute. The SEA distributes at least 95 percent of the funds to LEA's that have filed an application that meets certain requirements as described in Title III law. Minimum grants are in the amount of \$10,000 and allocations are based upon the number of LEP students enrolled in public and private schools in the LEA or in LEAs joining into consortia to apply for Title III funding.

#### **III. Compliance Requirement(s) and Suggested Audit Procedure(s)**

##### **A. Types of Services Allowed or Disallowed**

##### **Compliance Requirement**

States must use at least 95 percent of their allotments to award local educational agencies subgrants to assist limited English proficient students learn English and meet challenging State academic content and student achievement standards and to provide immigrant students enhanced instructional opportunities. States may reserve up to 5 percent of their allotments for administrative costs and technical assistance to subgrantees. The Department awards allotments to outlying areas for activities including developing instructional programs for LEP students by hiring tutors, conducting professional development for paraprofessionals, teachers in training and in-servicing teachers, hiring teachers for "new-comer" programs, purchasing and developing materials to be used in the classroom for ELL instruction, etc. Native American applicants funds are used to increase English proficiency and student academic achievement for (LEP) students and provide high-quality professional development training for teachers and support personnel. Training must improve teacher instruction and assessment capabilities, and enhance their ability to understand and use curricula,

assessment measures, and instruction strategies for LEP students. Training must also be based upon scientifically based research and be of sufficient intensity and duration as to have a positive and lasting impact. Funds may also be used for identifying, acquiring, and upgrading curricula, instruction materials, educational software, and assessment procedures. This program is subject to non-supplanting requirements and must use a restricted indirect cost rate that is referenced under 34 CFR 76.564-76.569.

**Suggested Audit Procedure(s)**

- Evaluate the adequacy of the policies and procedures used by the LEA to ensure accurate, complete, and timely reporting to the SEA to ensure that the LEA complies with all reporting requirements.

**Compliance Requirement**

An LEA may use Title III funds only to supplement, and in no case to supplant, nonfederal funds that would, in the absence of Title III funds, be made available. (SEC.3115(g))

**Suggested Audit Procedure(s)**

- Evaluate the adequacy of the policies and procedures used by the LEA to ensure that Title III funds expended by the LEA are used to supplement and not supplant nonfederal funds in order to ensure compliance with this provision.
- Review the procedures established by the SEA and its local educational agencies to ensure the accuracy of the state's annual count of eligible LEP and immigrant children.

**B. Special Tests and Provisions**

**Compliance Requirement**

SEAs and LEAs are required (a) to assess the effectiveness of their program in providing LEP children with the opportunity to meet the challenging state academic content and academic achievement standards the state has established for all children and (b) to use the results of these assessments to improve the services provided to migratory children.

LEAs are expected to use the same yearly assessments that the state has established under Part A of Title I of NCLB 2001. Additionally, Title III requires an annual assessment of LEP students' English proficiency.

**Suggested Audit Procedure(s)**

- Verify that the SEA and its subgrantees (LEAs) have processes in place (a) to assess the effectiveness of programs for LEP students and (b) to use the assessment information to improve services.
- Verify that LEP children who are enrolled in the LEA when the state-established assessment takes place are included in the state-established assessment. Further determine that the LEP sub-group makes Annual Yearly Progress targets as required for all students in the state.
- Verify that LEP students take the English proficiency assessment annually and meet the Annual Measurable Achievement Objectives for making progress in learning English and for becoming proficient in English.

SDE contact: Catherine Neff  
803-734-2880  
cneff@ed.sc.gov

## **Migrant Education, Title I, Part C**

### **Basic State Grant Program**

#### **CFDA 84.011**

##### **I. Program Objective**

The objectives of the Migrant Education—Basic State Grant Program (MEP) are

- to support high-quality and comprehensive educational programs for migratory children to help reduce the educational disruptions and other problems that result from repeated moves;
- to ensure that migratory children who move among the states are not penalized in any manner by disparities among the states in curriculum, graduation requirements, and state academic content and student academic achievement standards;
- to ensure that migratory children are provided with appropriate educational services (including support services) that address the special needs of migratory children in a coordinated and efficient manner;
- to ensure that migratory children receive full and appropriate opportunities to meet the same challenging state academic content and student academic achievement standards that all children are expected to meet;
- to design programs to help migratory children overcome educational disruption, cultural and language barriers, social isolation, various health-related problems, and other factors that inhibit the ability of such children to do well in school, and to prepare such children to make a successful transition to postsecondary education or employment; and
- to ensure that migratory children benefit from state and local systemic reforms.

##### **II. Program Procedures**

Funds are allocated to a state education agency (SEA), under either an approved consolidated program plan or an approved individual program application, in order for the SEA to provide migrant educational program services and activities either directly or through subgrants to local operating agencies (LOAs) or other public or private nonprofit agencies. Because an SEA may choose to provide program services directly or through an LEA or other operating agency, some of the suggested audit procedures will apply for an SEA, LEA or LOA, depending on which agency provides the services and where the records are maintained.

### **III. Compliance Requirement(s) and Suggested Audit Procedure(s)**

#### **A. Types of Services Allowed or Disallowed**

##### **Compliance Requirement**

Except as noted in section C below, funds available under Part C of Title I of the Elementary and Secondary Education Act (ESEA) may be used only to identify eligible migratory children and their needs and to provide educational and support services (including, but not limited to, preschool services, professional development, parental involvement activities and the acquisition of equipment) that address the identified needs of the eligible children. (Pub. L. No. 107-110, §§ 1301, 1304(c), 1306(b))

An SEA may use program funds to carry out administrative activities that are unique to the program. These activities might include statewide identification and recruitment of migratory children, interstate and intrastate program coordination, transfer of student records, collecting and using information to make subgrants, and direct supervision of instructional or support.

##### **Suggested Audit Procedure(s)**

- Test expenditure and related records to determine whether funds were used for allowable purposes, taking into consideration the exceptions in section C, “Supplement, Not Supplant,” below.

##### **Compliance Requirement**

SEAs and LOAs must give priority for services to migratory children who are either failing or most at risk of not meeting the state’s challenging state academic content standards and challenging state student academic achievement standards and whose education has been interrupted during the regular school year. (Pub. L. No. 107-110, § 1304(d))

##### **Suggested Audit Procedure(s) (SEAs and LOAs)**

- Review the process used by the SEA and subgrantees to identify and give priority for services those migratory children who are failing, or most at risk of failing, to meet the state’s challenging content and academic achievement standards and whose education has been interrupted during the regular school year.

#### **B. Eligibility**

The auditor is not expected to test for eligibility for receipt of services.

### **C. Supplement, Not Supplant**

An SEA and an LEA may use program funds only to supplement and, to the extent practical, increase the level of funds that would, in the absence of the federal funds, be made available from nonfederal sources. In no case may an LEA use federal program funds to supplant funds from nonfederal sources.

See the program section of the compliance supplement for ESEA programs (June 1996) concerning exclusions from the supplement-not-supplant requirement specific to the Title I, Part A (grants to LEAs) program. [Title I, Section 1120A(b) of ESEA (20 U.S.C. § 6322(b)) and Section 1304(c)(2) of ESEA (20 U.S.C. § 6394(c)(2)); Title VI, Section 6401(b) of ESEA (20 U.S.C. § 7371(b))]

#### **Suggested Audit Procedure(s) (SEA and LEA)**

- Determine whether the SEA and LEAs have internal controls in place to ensure that federal funds are used only to supplement, not supplant, nonfederal funds.

Test to determine whether the SEA and LEAs used federal funds only to supplement, not supplant, nonfederal funds.

### **D. Special Reporting Requirements**

#### **Compliance Requirement**

SEAs and operating agencies must develop information and maintain records that confirm the eligibility of each child identified for purposes of MEP funding.

#### **Suggested Audit Procedure(s) (SEA and LOA)**

- Determine that procedures are in place at the SEA and LOA level to collect and maintain documentation regarding the eligibility of the identified migratory children.

#### **Compliance Requirement**

The SEA is required to assist the United States Department of Education in determining the number of eligible migratory children for allocation purposes using such procedures as the Department requires. Under Department procedures, each SEA is required to provide annually an unduplicated count of eligible migratory children in each of two categories: (1) identified children ages three through twenty-one who resided in the state for one or more days (2) migrant children who were served in a migrant funded project conducted during either the summer term or an intercession period (i.e., when a year-round school was not in session). The SEA must implement procedures, based on the eligibility documentation that it and its subgrantees collect and maintain, to count eligible children in these two categories. (Pub. L. No. 107-110; Title I, Section 1304(c)(7) of the No Child Left Behind Act (NCLB) 2001).

**Suggested Audit Procedure(s) (SEAs and LOAs)**

- Review the procedures established by the SEA and its local operating agencies to ensure the accuracy of the state's annual unduplicated count of eligible migratory children in each of the two categories.

**E. Special Tests and Provisions**

**Compliance Requirement**

SEAs and LOAs are required (a) to assess the effectiveness of their programs and projects in providing migratory children with the opportunity to meet the challenging state academic content and academic achievement standards the state has established for all children and (b) to use the results of these assessments to improve the services provided to migratory children.

Where possible, SEAs and LOAs are expected to use the same yearly assessments that the state has established under Part A of Title I of NCLB 2001. Where it is not possible to use the assessments established under Title I, Part A (e.g., in a summer-only project or in a project where no migratory children are enrolled at the same time the state-established assessment takes place), the SEA must ensure that the LOA carries out some other reasonable process for examining the effectiveness of the project. (34 C.F.R. §§ 200.4, 200.42, and 200.43)

**Suggested Audit Procedure(s) (SEAs and LOAs)**

- Verify that the SEA and its subgrantees (LOAs) have processes in place (a) to assess the effectiveness of programs and projects and (b) to use the assessment information to improve services.

**Suggested Audit Procedure(s) (LEAs)**

- Verify that eligible migratory children who are enrolled in the LEA when the state-established assessment takes place are included in the state-established assessment.

SDE contact: Betty Black  
803-734-8219  
bblack@ed.sc.gov

## **Preschool Grants Program**

### **CFDA 84.173**

#### **I. Program Objective**

The objective of the IDEA Preschool Grant program is to assist states in providing a free and appropriate public education to all children with disabilities, ages three, four, and five.

#### **II. Program Procedures**

Grants are made to states following their submission of an acceptable application based on a certified December 1 count of children with disabilities ages three, four, and five receiving special education and related services. The SEA, in turn, funds LEAs, Head Starts, and state-operated programs that have approved applications to the SEA for funding.

#### **Compliance Requirement(s) and Suggested Audit Procedure(s)**

##### **A. Eligibility**

##### **Compliance Requirement**

Only children ages three, four, and five who have been determined to have a disability and who, because of this impairment, need special education and related services are eligible for participation in this program and may be counted by 34 C.F.R. § 300.5(a), 300.530–543, and 750–754.

##### **Suggested Audit Procedure(s)**

§§ (IEPs), or evaluations, as appropriate for all areas of disability categories.

#### **Placement Criteria for Preschool Children with Disabilities**

Preschool children with disabilities will meet the criteria specified in section 59-36-30, “Preschool Programs for Children with Disabilities,” of the Code of Laws of South Carolina (1990).

Monitoring in those LEAs/Agencies that serve both school-age and preschool children with disabilities, at least three (3) preschool children with disabilities must be included in the sample, with at least one (1) folder from each age level served. Therefore, at least one (1) three-year-old, one (1) four-year-old, and one (1) five-year-old will be included in each sample. The remaining two (2) folders will be selected in proportion to the number of children served in each age group.



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**B. Matching, Level of Effort, and/or Earmarking Requirements**

Funds shall be used to supplement and increase the level of state and local funds expended for the education of children with disabilities and in no case supplant state and local funds. (34 C.F.R. § 300.230, (1997)).

SDE contact: Vanessa Nelson-Reed  
803-734-8788  
vnelson@ed.sc.gov

## **Reserve Officers' Training Corps**

**(CFDA N/A)**

### **I. Program Objective**

The objective of the Reserve Officers' Training Corps (ROTC) is to provide instruction and training for high school-aged students in military procedures. The program is offered as an elective to students who are considering a military career.

### **II. Program Procedures**

ROTC instructors must be retired from the particular branch of service they instruct. The local school district submits a project application to the specific branch of service for funding an ROTC instructor. The application must include the instructor's name and Social Security number. The particular branch of service forwards to the school district the amount of money based upon the number of instructional days the instructor will be employed by the school district.

#### **Compliance Requirement(s) and Suggested Audit Procedure(s)**

The auditor is expected to ascertain that the instructor, as noted in the project application, actually received compensation by reviewing the employee's earnings record.

SDE contact: none (direct aid)

## **Rural Education Achievement Program—REAP, Title VI**

### **Part B, Subpart 2, Rural and Low Income School program**

#### **CFDA 84.358B**

#### **I. Use of Funds—Section 6222**

- teacher recruitment and retention, including the use of signing bonuses and other financial incentives;
- teacher professional development;
- educational technology (software and hardware) as described in part D of Title II;
- parental involvement activities;
- activities authorized under the Safe and Drug-Free Schools program under Part A of Title IV;
- activities authorized under Part A of Title I; and
- activities authorized under Title III.

#### **II. Program Procedures**

- an LEA is eligible to receive a grant of 20 percent or more if it's students are from families with incomes below the poverty line; and
- all schools served by the LEA are designated with a school locale code of 6, 7, or 8.

#### **III. Reporting Requirements**

##### **Compliance Requirement**

An LEA must report annually to the SEA on the LEA's use of Title VI, Part B funds and must provide any other information as may reasonably be required for program evaluation consistent with the SEA's responsibilities. (Section 5133)

**Suggested Audit Procedure(s)**

Evaluate the adequacy of the policies and procedures used by the LEA to ensure accurate, complete, and timely reporting to the SEA to ensure that the LEA complies with the reporting requirements.

Test to determine if the LEA complied with the reporting requirements.

**IV. Special Tests and Provisions**

**Compliance Requirement**

An LEA may use Title VI, Part B funds only to supplement, and in no case to supplant, nonfederal funds that would, in the absence of Title VI, Part B funds, be made available. (Section 5144)

**V. Suggested Audit Procedures**

- Document the policies and procedures established for obligating Title VI, Part B funds.
- Evaluate adequacy of these procedures to ensure that Title VI, Part B funds are obligated within the period of availability.
- Test to determine if the prescribed policies and procedures were adhered to and if Title VI, Part B funds were properly obligated within the period of availability.

SDE Contact: Woody Lucas  
803-734-8118  
wlucas@ed.sc.gov

## **Safe and Drug-Free Schools State Grants, Title IV**

### **CFDA 84.186A**

*(also known as State Grants for Drug and Violence Prevention Programs)*

#### **I. Program Objective**

The purpose of the Safe and Drug-Free School State Grants authorized by the Safe and Drug-Free Schools and Communities Act (SDFSCA), contained in Title IV of the ESEA, is to support programs to meet the seventh National Education Goal by preventing violence in and around schools and by strengthening programs that prevent the illegal use of alcohol, tobacco, and drugs; that involve parents; and that are coordinated with related federal, state, and community efforts and resources. Subpart 1 of the SDFSCA provides federal assistance to states for

- grants to local education agencies (LEAs) and education service agencies and consortia to establish, operate, and improve local programs of drug and violence prevention, early intervention, rehabilitation referral, and education in elementary and secondary schools (including intermediate and junior high schools);
- grants to, and contracts with, community-based organizations and other public and private nonprofit agencies and organizations for programs of drug and violence prevention, early intervention, rehabilitation referral, and education; and
- development, training, technical assistance, and coordination activities.

#### **II. Program Procedures**

In general, SDFSCA funds are allocated to states based on their relative share of school-aged population and Title I funds. Of each state's annual allocation amount, 80 percent is awarded to the state education agency (SEA) for programs described in Section 4113 of the SDFSCA, and 20 percent is awarded to the Governor for programs described in Section 4114 of the SDFSCA.

SEAs may use a small portion (3% thereafter) of the funds they receive for administrative activities and the remainder for conducting state-level program activities. The majority of the funds received by an SEA must be distributed to LEAs for drug- and violence-prevention activities.

Governors also may use a portion of the funds they receive for administration. Excluding the percentage of funds reserved for administration, governors must make grants to, or enter into contracts with eligible, entities for drug- and violence-prevention activities. In addition, a portion of the Governor's funds must be used for law enforcement education partnerships. Governors may have another state agency, including an SEA, administer the program on their behalf. No matter who administers the program, it remains the responsibility of the Governor's Office. (Sections 4113 and 4114 of SDFSCA)

### **III. Compliance Requirement(s), Audit Objectives, and Suggested Audit Procedure(s)**

The following is the explanation of waivers in Cross-Cutting Provisions of the ESEA Compliance Supplement (Part II, “ESEA Procedures”):

Applicable programs: Title I/Part A; MEP [Migrant Education Program]; Eisenhower; SDFSCA [Safe and Drug-Free Schools and Communities Act] (except the Governor’s Program authorized under Section 4114); Title VI; Bilingual

Under Title XIV of ESEA, States, LEAs, and schools through an LEA may request waivers from ED of many of the statutory and regulatory requirements of programs authorized in ESEA. The Goals 2000: Educate America Act and the School to Work Opportunities Act also provide waiver authority. In addition, under the educational flexibility (Ed-Flex) demonstration program of Goals 2000, the Secretary has delegated to some SEAs the authority to waive certain Federal statutory or regulatory requirements affecting the state and its districts and schools. In conducting an audit, auditors should ascertain from the audited SEA and LEAs whether ED (or an SEA, if an Ed-Flex State) has granted any written waivers to the state or the LEAs.

#### **A. Types of Services Allowed or Disallowed**

##### **Compliance Requirement**

Part III, Section C, of the Cross-Cutting Provisions describes options for transferring ESEA program funds to other ESEA programs, to coordinated services projects, and to consolidated administrative funds.

An LEA may use SDFSCA funds to carry out a broad range of drug- and violence-prevention programs. The SDFSCA provides a general framework for LEA prevention efforts by requiring that SDFSCA funds be used to support comprehensive drug- and violence-prevention programs that are designed for all students and employees to

- prevent the use, possession, and distribution of tobacco, alcohol, and illegal drugs by employees;
- prevent violence;
- promote school safety;
- create a disciplined environment conducive to learning; and
- include activities to promote the involvement of parents and coordination with community groups and agencies.

The list (see below) of authorized activities found in Section 4116(b) of the SDFSCA is broad and does not exclude other activities that may be carried out by the LEA, consistent with the purposes of SDFSCA. Such activities specifically include mentoring and before- and after-school instructional, recreational, cultural, and artistic programs. Note that comprehensive school health education activities may be implemented only to the extent

that such activities are part of an LEA's comprehensive drug and violence prevention program. (20 U.S.C. § 7116(b))

An LEA may not use SDFSCA funds for construction or for providing medical services, drug treatment, or rehabilitation. As Section 4133 of the SDFSCA states, pupil services or referral to treatment for students who are victims of or witnesses to crime or who use alcohol, tobacco, or drugs are not included in the prohibition. (20 U.S.C. § 7133) An LEA may use 2 percent of their SDFSCA funds for administrative activities. The remainder must be utilized for program activities.

#### **Authorized Activities Listed in Section 4115**

- Each program or activity shall be developed to meet the principles of effectiveness by the following:
  - a. be based upon an assessment of objective data regarding the incidence of violence and illegal drug use in the elementary and secondary schools and communities to be served, including an objective analysis of the current conditions and consequences regarding violence and illegal drug use, including delinquency and serious discipline problems among students who attend such schools (includes private schools who participate) that is based on ongoing local assessment or evaluation activities;
  - b. be based upon an established set of performance measures aimed at ensuring that the elementary and secondary schools and communities to be served by the program have a drug-free, safe and orderly learning environment;
  - c. be based upon **scientifically based research (see page 969 for the definition)\*** that provides evidence that the program to be used will reduce violence and illegal drug use. [Note: A LEA may request a waiver from this requirement by applying to the state for a waiver to allow innovative activities that demonstrate substantial likelihood of success];
  - d. be based on an analysis of data reasonably available at the time, of the prevalence risk factors, including high or increasing rates of reported cases of child abuse and domestic violence; protective factors, buffers or assets or other variables identified through scientifically based research in schools and communities in the state; and
  - e. include meaningful and ongoing consultation with input from parents in the development of the application and administration of the program or activity. Periodic Evaluation: The program or activity shall undergo a periodic evaluation to assess its progress toward reducing violence and illegal drug use in schools to be served based on performance measures. The results shall be used to refine, improve and strengthen the program and to refine the performance measures and must be made available to the public upon request.

#### **Audit Objective (LEA)**

To determine if SDFSCA funds were used for authorized LEA activities.

**Suggested Audit Procedure(s) (LEA)**

Select a sample of expenditures and determine whether they (a) were for allowable activities and (b) were properly classified.

**B. Matching Level of Effort and/or Earmarking Requirements**

**Compliance Requirement**

An LEA may acquire and install metal detectors and hire security personnel as authorized activities under SDFSCA. However, (a) LEAs may not use more than 20 percent of their SDFSCA funds for capital outlay, including acquiring or installing metal detectors, or supporting “safe zones of passage” for students between home and school; they may not use more than 40 percent of their SDFSCA funds for hiring school resource officers; and (b) LEAs may use funding for these purposes only if funding for such activities is not received from other federal agencies. (Section 4116(c) of SDFSCA; 20 U.S.C. § 7116(c))

**Audit Objective (LEA)**

To determine that the LEA has used SDFSCA funds in accordance with above requirements.

**Suggested Audit Procedure(s) (LEA)**

- Review the General Ledger or other records that accumulate activity costs for the grant to determine whether the amounts recorded did not exceed maximum allowable amounts

**C. Special Tests and Provisions**

**Compliance Requirement**

An LEA may retain up to 25 percent of its fiscal year allocation for obligation in the next federal fiscal year. If an LEA wishes to retain an amount greater than 25 percent of its fiscal year allocation for use in a succeeding year, it must demonstrate good cause for such a carryover to its SEA, and the SEA must approve the request for additional carryover. (Section 4113(f) of SDFSCA (20 U.S.C. § 7113(f))

**Audit Objective (LEA)**

To determine that the LEA carried over no more than 25 percent of its fiscal year allocation unless approved by the SEA

**Suggested Audit Procedure(s) (LEA)**

- Review expenditure records for a sample of LEAs and test whether no more than 25 percent of the previous fiscal year’s allocation amounts were retained for obligation in the succeeding fiscal year, unless the LEA received SEA approval.



DRAFT

SDE contact: Kimberly Smith  
803-734-8101  
kwsmith@ed.sc.gov

## **SC Reading First—Local Reading Improvement, Title I**

### **CFDA 84.357**

#### **I. Program Objective**

The purpose of South Carolina Reading First is to ensure that all children can read at grade level or above by the end of third grade. The South Carolina Reading First program will provide the necessary assistance to qualifying districts based on scientifically based reading research for students in kindergarten through third grade. South Carolina Reading First funds will also focus on providing significantly increased teacher professional development to ensure that all teachers, including special education teachers, have the skills they need to teach these programs effectively. Additionally, the program provides assistance to districts in preparing classroom teachers to effectively screen, identify and overcome reading barriers facing their students.

#### **II. Program Procedures**

South Carolina Reading First grants were distributed to districts using specific criteria. Eligible districts applied to the State Department of Education for grants under a competitive grant process. Application review began in December 2003 with approval of grants announced January 9, 2004.

#### **III. Source of Governing Requirements**

Title I, Part B, Sub part 1 of the Elementary and Secondary Education Act of 1965 as amended by the No Child Left Behind Act of 2001 (20 USC 6361 *et seq.*) authorized the South Carolina Reading First program.

#### **IV. Compliance Requirement**

Federal funds can be used only for costs that are in accordance with the conditions contained in the subgrant application.

##### **A. Activities Allowed**

Local Education Agencies (LEAs)

- a. Instructional reading assessments – Selection and administration of screening, diagnostic, and classroom-based instructional reading assessments (with proven validity and reliability) (20 USC 6362(c)(7)(A)(i)).
- b. Reading program – Selection and implementation of a program of reading instruction based on scientifically based reading research that includes the essential components of reading instruction and provides such instruction to

children in kindergarten through grade three in the schools served by the LEA (20 USC 6362(c)(7)(A)(ii)).

- c. Instructional materials – Selection and implementation of instructional materials, including educational technology such as software and other digital curricula, that are based on scientifically based reading research (20 USC 6362(c)(7)(A)(iii)).
- d. Professional development – Professional development for teachers of kindergarten through grade 3 and special education teachers of kindergarten through grade 12 that will prepare these teachers and other instructional staff in all of the essential components of reading instruction. Professional development must be provided that will assist teachers in becoming fully qualified for reading instruction in accordance with the requirements of section 1119. Providers of professional development must base training in reading instruction on scientifically based reading research (20 USC 6362(c)(7)(A)(iv)).
- e. Evaluation strategies – Collection and summary of valid and reliable data to document the effectiveness of Reading First in individual schools and in the LEA as a whole and to stimulate and accelerate improvement by identifying the schools that produce significant gains in reading achievement (20 USC 6362(c)(7)(A)(v)).
- f. Reporting – Reporting data for all students and categories of students described in the State’s Title I adequate yearly progress definition (20 USC 6362(c)(7)(A)(vi))
- g. Access to reading material – Promotion of reading and library programs that provide access to engaging reading material (20 USC 6362(c)(7)(A)(vii)).
- h. Additional uses – Additional activities for which an LEA may use Reading First funds, provided they are based on scientifically based reading research and align with the LEA’s overall Reading First plan. These activities must be identified and approved in the State’s Reading First plan (20 USC 6362(c)(7)(B)).

**B. Suggested Audit Procedure(s)**

- Review the South Carolina Reading First award.
- Administrative costs are not to exceed 3 percent of the total grant award.
- Test the expenditures and related records.

SDE Contact: Pam Wills  
803-734-8391  
pwills@sde.state.sc.us

## **Title I, Part A, Grants to Local Education Agencies**

### **CFDA 84.010**

#### **I. Program Objective**

Title I, Part A of ESEA, as amended, provides supplemental financial assistance to local education agencies (LEAs) through state education agencies (SEAs) to improve the teaching and learning of children who are at risk of not meeting challenging academic standards and who reside in areas with high concentrations of children from low-income families.

#### **II. Program Procedures**

ED provides Title I, Part A funds to each SEA through a statutory formula based primarily on the number of children ages five through seventeen from low-income families that are counted in the most recent decennial census. This number is adjusted for the cost of education in each state. To receive funds, an SEA must submit to ED for approval either (a) an individual state plan as provided in Section 1111 of the ESEA or (b) a consolidated plan that includes Part A, in accordance with Section 14302 of the ESEA. The individual or consolidated plan, after approval by ED, remains in effect for the duration of the state's participation in Title I, Part A but must be updated to reflect substantive changes.

LEAs allocate Title I funds to eligible school attendance areas based on the number of children from low-income families residing in the attendance area. An individual school receiving funds identifies students who are failing, or most at risk of failing, to meet state challenging performance standards and who have the greatest need. The school then designs, in consultation with parents, staff, and the LEA, an instructional program to meet the needs of those students.

#### **III. Compliance Requirement(s) and Suggested Audit Procedure(s)**

##### **A. Eligibility**

##### **A-1 School attendance area and eligibility and allocations**

##### **Compliance Requirement**

An LEA must determine which school attendance areas are eligible. Generally, only those above the poverty rate for the LEA as a whole or a poverty rate above 35 percent are eligible. An LEA may also designate and serve a school serving an ineligible attendance area if the percentage of children from low-income families enrolled in that school is equal to or greater than the percentage of such children in a participating school attendance area. When determining eligibility, an LEA must select a poverty measure from among the data sources specified in Section 1113(a)(5) of Title I and use that measure consistently across the district to rank all its school attendance areas according to their percentage of poverty. An LEA must serve those areas or schools above 75 percent poverty, including any middle or high schools, as long as funds are available. After an LEA has served all areas and schools with a poverty rate above 75 percent, the

LEA may serve areas and schools with 75 percent poverty rate or less by grade span or continue with the districtwide ranking. In grade span groupings, schools may be identified by the 35 percent rule, grade span, or percentage of poverty. An LEA with an enrollment of less than 1,000 students or with one school per grade span is not required to allocate funds to areas or schools in rank order.

If an LEA serves any attendance area with less than a 35 percent poverty rate, it must allocate an amount for each area that equals at least 125 percent of the LEA's Title I allocation per poor child. If an LEA serves only areas with a poverty rate 35 percent or greater, the LEA is not required to allocate a per-pupil amount of at least 125 percent. An LEA may not allocate a higher amount per child to areas or schools with lower percentages of poverty than to areas with higher percentages. If an LEA ranks and serves areas or schools below 75 percent poverty by grade span, the LEA may determine different amounts per poor child for different grade spans as long as those amounts do not exceed the amount allocated to any area or school above 75 percent poverty. Amounts per poor child within grade spans may also vary as long as the LEA allocates higher amounts per poor child to higher poverty areas or schools within the grade span than it allocates to lower poverty areas or schools. This requirement does not apply to an LEA that has only one school for each grade span. An LEA with an enrollment of less than one thousand (1,000) students is also excluded from this requirement. (Title I, Section 1113 of ESEA (20 U.S.C. § 6313); 34 C.F.R. §§ 200.27– 200.28)

#### **Suggested Audit Procedure(s) (LEA)**

- Review and test LEA procedures and data used to ascertain if the LEA determined school attendance area or school eligibility in accordance with the statute and regulations.
- Review and test LEA allocation procedures to determine that funds were distributed based on the number of poor children in accordance with the statute and regulations.

### **A-2 Generating funds for services to eligible private school children**

#### **Compliance Requirement**

In allocating Title I funds to a participating eligible school attendance area as provided in Section 1113(c), an LEA must base that allocation on the *total* number of children from low-income families, including low-income children who reside in the area and attend private schools. Thus the LEA, in consultation with private school officials, must obtain the best available poverty data on private school children who reside in participating school attendance areas. LEAs have flexibility in the methods used to collect poverty data on private school children.

For example, an LEA could use

- data from the same source for children in both public and private schools;

- poverty data for private school children that are from a different source than the data used for public school children but are generally comparable in terms of income levels;
- extrapolated data on the number of low-income private school children based on actual data from a representative sample of private school children;
- correlated data that show the relation between two known data sources of public school poverty data on public school children, which is then applied to a known source of data on private school children; and
- Proportional data based on the poverty percentage of each public school attendance area applied to the total number of private school children who reside in that area. Section 1120(a)(4) of the Title I statute permits an LEA to determine the number of children from low-income families who attend private schools each year or every two years.
- The LEA must reserve the amounts generated by poor private school children who reside in participating public school attendance areas. In consultation with private school officials, an LEA may choose to allocate Title I resources for services to private school children using one or a combination of the following options:
  - Provide equitable services to eligible children in each private school with the funds generated by children attending that private school who are from low-income families.
  - Combine the funds generated by poor private school children in all participating areas to create a pool of funds from which the LEA provides equitable services to eligible private school children who are in the greatest educational need of those services. Under this option, the services provided to eligible children in a particular private school are not dependent upon the amount of funds generated by poor children in the school. (Title I, Sections 1113 and 1120 of ESEA (20 U.S.C. §§ 6313 and 6321); 34 C.F.R. §§ 200.10–200.17, 200.27–200.28)
- If an LEA reserves funds off the top of its Title I allocation for district-wide instructional programs for public elementary and secondary school students, the equitable services requirement applies. Section 200.64(a)(2)(i)(A) of the Title I regulations requires that, if an LEA reserve funds for instructional and related activities for public elementary or secondary school students at the district level, the LEA must also provide from these funds, as applicable, equitable services to eligible private school children. The amount of funds available to provide equitable services from the applicable reserved funds must be proportional to the number of private school children from low-income families residing in participating public school attendance areas.

**Suggested Audit Procedure(s)**

- Determine whether an LEA has a process in place for timely consultation with private school officials to obtain the best available poverty data on the number of low-income private school children residing in participating public school attendance areas.
- Review and test the procedures the LEA used to determine the number of poor private school children residing in participating public school attendance areas for adequacy and consistency with the statute and regulations.
- Review and test the LEA's allocation process to determine if private school poor children generated the same amount of funds per child as public school poor children and that funds generated by private school children are used for instructional programs for eligible private school children in accordance with the statute and regulations.
- Review and test that the LEA reserved an equitable portion of appropriate set-asides for equitable services to eligible private school children.

**B. Matching, Level of Effort, and/or Earmarking Requirements**

**B-1 Maintenance of effort**

**Compliance Requirement**

For covered ESEA programs other than Title I, Part C, and Title VI, the combined fiscal effort per student or aggregate expenditures of each LEA from state and local funds for free public education for the preceding year must be at least 90 percent of the combined fiscal effort per student or aggregate expenditures for the second preceding year, unless specifically waived by the Secretary. (For purposes of determining maintenance of effort for Title I, Part A, see 34 C.F.R. § 200.64.)

Failure to Meet the Requirement: The SEA shall reduce the amount of the allocation of funds under a covered program in any fiscal year in the exact proportion by which an LEA fails to maintain effort by falling below 90 percent of both the combined fiscal effort per student and aggregate expenditures (using the measure most favorable to the LEA).

For a year in which effort was not maintained, the lesser amount shall not be used for computing maintenance of effort in subsequent years.

Waiver: The Secretary may waive the maintenance of effort requirements if he/she determines that such a waiver would be equitable due to—

- Exceptional or uncontrollable circumstances such as natural disaster;

or

- A precipitous decline in the financial resources of the LEA.

**Expenditures to be included**

In determining whether an LEA has maintained fiscal effort, the SEA must consider the LEA's expenditures from state and local funds for free public education. Those expenditures include expenditures for administration, instruction, attendance and health services, pupil transportation services, operation and maintenance of plant, fixed charges, and net expenditures to cover deficits for food services and student body activities.

**Expenditures to be excluded**

Expenditures for community services, capital outlay, and debt service are not to be included in the determination. In addition, expenditures made from funds provided by the Federal Government for which the LEA is required to account to the Federal Government directly or through the SEA are excluded from the determination.

**“Preceding fiscal year”**

For purposes of determining maintenance of effort, the “preceding fiscal year” is the Federal fiscal year or the 12-month fiscal period most commonly used in a state for official reporting purposes prior to the beginning of the federal fiscal year in which funds are available.

**Suggested Audit Procedure(s) (LEA)**

- Review the second and first preceding years' financial records of the LEA and compare total expenditures and, if necessary, per-pupil expenditures for those years.
- Determine if the LEA maintained fiscal effort, unless the Secretary has granted a waiver.



## Requirements for Maintenance of Effort (MOE) Calculation

To calculate the required amounts that represent MOE by a school district, the source data must originate from the school district's Annual Audit Reports. MOE calculations for two consecutive years are required as a condition to demonstrate that effort has been maintained for no less than 90 percent of the second preceding year's MOE amount. Annual Audit Report information from the preceding fiscal year and the second preceding fiscal year must be used as the basis for calculation of the two required amounts. Refer to federal Guidance for Title I Fiscal Issues to determine the preceding and second preceding years.

For the year considered, the first step is to \*determine the actual, TOTAL LEA expenditures from the Audit Report (per the audited Location Reconciliation Schedule). Using this total, the second step is to exclude certain revenues and expenditures. These have specific topics with Function and Object numbers that provide the data amounts as follows:

### **Subtract:**

Federal Revenues (All revenue reported under Revenue Codes 4100–4999; SEFA)

Capital Outlay (All expenditures reported under Function 253 and all expenditures reported under Objects 500-599 for Instructional Functions 110-190, and Support Functions 210-252, 254-271)

Debt Service (All expenditures reported under Function 500)

Community Services (All expenditures reported under Function 310–399)

Pupil Activity (All expenditures reported under Function 272 and 273)

Intergovernmental (All expenditures reported under Function 411–417)

The third step is to divide the result of step two by the school district's 135-day ADM for that same school year. This sum is the per pupil MOE amount.

The fourth step is to compare the per pupil MOE amount from the preceding year to the second preceding year to demonstrate that no less than 90 percent of the MOE effort of the second preceding year has been maintained.

\*Optional: A school district may use the aggregate expenditures of state and local funds to illustrate MOE. The aggregate expenditures for the preceding fiscal year must not be less than 90% of the aggregate expenditures for the second preceding fiscal year.

## **Directions for Electronic Worksheet Calculation of Maintenance of Effort (MOE)**

The Excel worksheet is provided electronically for convenience of calculation. Determine the preceding and second preceding years (see federal Guidance). A worksheet must be done for each, using source data from the LEA Audit Report and the 135 ADM for each year. Enter amounts of Audit Report data for **Steps 1, 2, and 3**, into the appropriate cell on the Excel worksheet. The calculation for **Steps 1, 2, and 3** will be performed automatically. **Step 4** requires data to be transferred from a prior worksheet to the cell in Step 4 for electronic determination of effort. **Paper copy of source data and worksheets must be maintained for Title I monitoring purposes.** Instructions are as follows:

### **Step 1:**

Input the audit report **Total** LEA expenditures per the audited Location Reconciliation Schedule. This **Total** includes total expenditures as stated on the Statement of Revenues, Expenditures, and Changes in Fund Balances: Governmental Funds, **plus** the total expenditures amount from the Food Service Fund (See Schedule) and the Pupil Activity Fund (See Schedule).

### **Step 2:**

List page number beside each data source or attach copy of dated report from accounting software using appropriate Function and Object numbers. Input amounts for the following items, which are **excluded** from the **Total** in **Step 1**:

Federal Revenue – Use total from the Schedule of Expenditure of Federal Awards (SEFA).

Capital Outlay – A report from accounting software must reflect appropriate Functions and Objects. Retain copy for MOE file.

Debt Service – Use appropriate Statement or Schedule data.

Community Service – Use total from Statement of Revenues, Expenditures, and Changes in Fund Balances: Governmental Funds.

Pupil Activity Fund – Use Schedule, Functions 272, 273 only.

Intergovernmental – Use total from Statement of Revenues, Expenditures, and Changes in Fund Balances: Governmental Funds.

### **Step 3:**

Input the 135 ADM data for this Audit Year from the district's official report to the Department of Education. The per pupil MOE will be calculated electronically.

### **Step 4:**

In the per pupil MOE calculated for the year now considered the second preceding year relative to the preceding year just calculated. The MOE determination is now completed automatically by formula statement.

## Title I Fiscal Requirements

### Electronic Worksheet to Calculate Maintenance of Effort (MOE)

**Step 1:**

**Preceding Year** Audit Report **Total** Expenditures:  
(Refer to the audited Location Reconciliation Schedule)

\$ \_\_\_\_\_ -

**Step 2:****Items Subtracted From Total Expenditures in Step 1:**

(List page number for each data source from Audit Report.)

Federal Revenue (SEFA) Page \_\_\_\_\_

Capital Outlay (Attach Report) \_\_\_\_\_

Debt Service Page \_\_\_\_\_

Community Services Page \_\_\_\_\_

Pupil Activity Fund Page \_\_\_\_\_

Intergovernmental Page \_\_\_\_\_

**Total Amount Excluded:**

\_\_\_\_\_

\$ \_\_\_\_\_ -

**Total Expenditures for MOE Calculation:**

\$ \_\_\_\_\_ -

**Step 3:**

135 ADM:

The per pupil MOE calculated for the **preceding** year  
from Audit Year \_\_\_\_\_:

\_\_\_\_\_  
\_\_\_\_\_

**Step 4:**

The per pupil MOE calculated for the **second preceding** year  
From Audit Year \_\_\_\_\_: (Attach Worksheet)

\_\_\_\_\_

**Met MOE Requirements? \***

\*Compare the per pupil MOE in Step 3 to the per pupil MOE of Step 4. The per pupil amount in Step 3 must be not less than ninety percent of the per pupil amount in Step 4 to meet the MOE requirement.

**Title I Fiscal Requirements**  
**Electronic Worksheet to Calculate Maintenance of Effort (MOE)**  
**Composite Sample for Preceding Year**

**Step 1:**

**Preceding Year** Audit Report **Total Expenditures:**  
 (Refer to the audited Location Reconciliation Schedule)

\$ 15,934,495

**Step 2:****Items Subtracted From Total Expenditures in Step 1:**

(List page number for each data source from Audit Report.)

Federal Revenue (SEFA)	Page <u>72</u>	\$589,295
Capital Outlay (Attach Report)		230,000.00
Debt Service	Page <u>17</u>	80,000.00
Community Services	Page <u>17</u>	1,300.00
Pupil Activity Fund	Page <u>64</u>	50,000.00
Intergovernmental	Page <u>17</u>	6,400.00

**Total Amount Excluded:**

\$ (956,995.00)

**Total Expenditures for MOE Calculation:**

\$ 14,977,500.00

**Step 3:**

135 ADM:

2,195

The per pupil MOE calculated for the **preceding** year  
 from Audit Year **2005**:

\$ 6,823.46

**Step 4:**

The per pupil MOE calculated for the **second preceding** year  
 From Audit Year **2004**: (Attach Worksheet)

\$ 6,795.77

**Met MOE Requirements? \***

**Met MOE**

\*Compare the per pupil MOE in Step 3 to the per pupil MOE of Step 4. The per pupil amount in Step 3 must be not less than ninety percent of the per pupil amount in Step 4 to meet the MOE requirement.

**Title I Fiscal Requirements**  
**Electronic Worksheet to Calculate Maintenance of Effort (MOE)**  
**Composite Sample for Second Preceding Year**

**Step 1:**

**Preceding Year** Audit Report **Total Expenditures:**  
 (Refer to the audited Location Reconciliation Schedule)

\$ 15,200,000

**Step 2:****Items Subtracted From Total Expenditures in Step 1:**

(List page number for each data source from Audit Report.)

Federal Revenue (SEFA)	Page <u>70</u>	\$595,000
Capital Outlay (Attach Report)		170,000.00
Debt Service	Page <u>15</u>	73,500.00
Community Services	Page <u>15</u>	1,600.00
Pupil Activity Fund	Page <u>61</u>	45,000.00
Intergovernmental	Page <u>15</u>	9,800.00

**Total Amount Excluded:**

\$ (894,900.00)

**Total Expenditures for MOE Calculation:**

\$ 14,305,100.00

**Step 3:**

135 ADM:

2,105

The per pupil MOE calculated for the **preceding** year  
 from Audit Year 2004 :

\$ 6,795.77

**Step 4:**

The per pupil MOE calculated for the **second preceding** year  
 From Audit Year 2003 : (Attach Worksheet)

\$ 6,576.98

**Met MOE Requirements? \***

**Met MOE**

\*Compare the per pupil MOE in Step 4a to the per pupil MOE of Step 4. The per pupil amount in Step 3 must be not less than ninety percent of the per pupil amount in Step to meet the MOE requirement.

## **B-2 Comparability**

### **Compliance Requirement**

An LEA may receive Title I funds only if state and local funds will be used in Title I schools to provide services that, taken as a whole, are at least comparable to services that the LEA is providing in schools not receiving Title I funds.

An LEA is considered to have met the statutory comparability requirements if it has implemented

- a. an LEA-wide salary schedule;
- b. a policy to ensure equivalence among schools in teachers, administrators, and other staff; and
- c. a policy to ensure equivalence among schools in the provision of curriculum materials and instructional materials and supplies.

An LEA must also use other measures to determine comparability such as comparing the average number of students per instructional staff or the average staff salary per student in each Title I school with non-Title I schools on an annual basis.

Determinations may be made on either a districtwide or a grade-span basis. If all schools are served by Title I, an LEA must use state and local funds to provide services that, taken as a whole, are substantially comparable in each school. The comparability requirement does not apply to an LEA that has only one school for each grade span. An LEA may also exclude schools with fewer than one hundred (100) students from its comparability determinations.

An LEA may exclude from determinations of compliance with this requirement any state and local funds expended (a) for bilingual education for children with limited English proficiency and (b) for the excess costs of providing services to children with disabilities as determined by the LEA.

An LEA may exclude state and local funds spent in any school attendance area or school to carry out a program that meets the requirements of Section 1114 (schoolwide programs) or Section 1115 (targeted assistance schools) from comparability.

Each LEA must develop procedures for complying with the comparability requirements and must maintain records that are updated biennially documenting compliance with the comparability requirements. Comparability must be demonstrated on an annual basis, but not reported. The SEA, however, is ultimately responsible for ensuring that its LEAs remain in compliance with the comparability requirement. The SEA must withhold funds or require refunds from LEAs that fail to comply with the comparability requirements. [Title I, Section 1120A(c) of ESEA (20 U.S.C. § 6321)]

**Suggested Audit Procedure(s) (SEA)**

- Ascertain whether the SEA is monitoring each LEA's compliance with the comparability requirements.

**Suggested Audit Procedure(s) (LEA)**

- Review the LEA's procedures for calculating comparability to determine whether these procedures actually produce comparable schools.
- Review and test the LEA's records and documentation to determine if in fact service in Title I attendance areas and schools provided from state and local funds are comparable to those in non-Title I areas or schools.

**B-3 Supplement, not supplant**

**Compliance Requirement**

As discussed generally in the Cross-Cutting Provisions of the ESEA Compliance Supplement, an LEA may use Title I funds only to supplement and, to the extent practical, increase the level of funds that would, in the absence of Title I funds, be made available from nonfederal sources for the education of pupils participating in Title I projects. An LEA may not use Title I funds to supplant funds from nonfederal sources.

When determining whether Title I funding is supplemental, an LEA may exclude state and local funds spent in any school attendance area or school for carrying out a program that meets the requirements of Section 1114 (schoolwide programs) or Section 1115 (targeted assistance schools).

A program meets **the requirements of Section 1114** if it

- is implemented in a school that meets the Title I schoolwide poverty threshold (i.e., 60 percent poverty in 1995–96, 50 percent poverty in subsequent years);
- is designed to upgrade the entire educational program in the school to enable all children to meet the state's challenging student performance standards;
- is designed to meet the educational needs of all children in the school, particularly the needs of children who are failing, or most at risk of failing, to meet the state's performance standards; and
- uses the state's system of assessment to review the effectiveness of the program.

A program meets **the requirements of Section 1115** if it

- serves only children who are failing, or most at risk of failing, to meet the state's student performance standards;

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- provides supplementary services designed to meet the special educational needs of children who are participating in the program to enable those children to meet the state's student performance standards; and
- uses the state's system of assessment to review the effectiveness of the program.

### **Suggested Audit Procedure(s) (LEA)**

- Test internal financial control system to ensure that federal funds are used only to supplement, not supplant, nonfederal funds.
- Determine whether the grantee used Title I funds only to supplement nonfederal funds. [Section 1120A(b) of ESEA (20 U.S.C. § 6321 and Title I Regulations Section 200.79)]

## **C. Special Tests and Provisions**

### **C-1 Carryover**

#### **Compliance Requirement**

An LEA may not carryover more than 15 percent of the funds it received under Part A, Subpart 2, "Allocations," for any fiscal year. This percentage limitation does not apply to an LEA that receives less than \$50,000 for any fiscal year.

An SEA may grant a waiver of the percentage limitation once every three (3) years if the SEA determines that the request is reasonable and necessary. An SEA may also grant a waiver in any fiscal year in which supplemental appropriations for Title I become available for obligation. (Title I, Section 1127 of ESEA (20 U.S.C. § 6339))

#### **Suggested Audit Procedure(s) (LEA)**

- Determine whether the LEA has carried over no more than 15 percent of its allocations under Part A, Subpart 2.

### **C-2 Use of funds for eligible children in a targeted assistance program**

Title I funds may be used to benefit all students at schools participating in a schoolwide program. See **E-2 Schoolwide programs** in the cross-cutting section of the ESEA Compliance Supplement. (Title I, Section 1114 of ESEA (20 U.S.C. § 6314); 34 C.F.R. § 200.7)

#### **Compliance Requirement**

A school operating a targeted assistance program must use Title I funds only for programs and projects that are designed to meet the needs of children identified as failing, or most at risk of



failing, to meet the state's challenging student performance standards. Such children shall generally be identified on the basis of multiple, educationally related, objective criteria established by the LEA and supplemented by the school except that children from pre-school through grade two shall be selected solely on the basis of such criteria as teacher judgement, interviews with parents, and developmentally appropriate measures. Children who are economically disadvantaged, children with disabilities, migrant children, and limited-English-proficient children are eligible for Title I, Part A services on the same basis as other children who are selected for services. In addition, certain classes of children are considered at risk of failing to meet the state's student performance standards and are thus eligible for Title I services because of their status.

Such children include the following:

- children are homeless,
- children who participated in a Head Start or Even Start program at any time in the two preceding years;
- children who received services under a program for youth who are neglected, delinquent, or at risk of dropping out under Part D (or its predecessor authority) at any time in the two preceding years; and
- children who are in a local institution for neglected or delinquent children or attending a community day program. Funds, received under this part may not be used to provide services that are otherwise required by law to be made available to children described above, but may be used to coordinate or supplement such services.

From the universe of eligible children, a targeted assistance school selects those children who have the greatest need for special assistance to receive Part A services. (Title I, Section 1115 of ESEA (20 U.S.C. § 6315))

#### **Suggested Audit Procedure(s) (LEA)**

- Test on a sample basis expenditure and related records to determine whether schools operating targeted assistance programs use Title I funds only for activities allowable under the statute and regulations.
- Determine whether a school receiving Title I funds has a process in place to identify and select children to be served who meet the criteria established in Section 1115(b).

#### **C-3 Schoolwide programs**

##### **Compliance Requirement**

A school participating under Title I, Part A may, in consultation with its LEA, use Part A funds to upgrade the school's entire educational program in a schoolwide program. To qualify, at least 40 percent of the children enrolled in the school or residing in the school attendance area for the initial year of the schoolwide program must be from low-income

families. To operate a schoolwide program, a school must develop, in consultation with the LEA and its school support team or other technical assistance provider, a comprehensive plan to upgrade its total instructional program.

- Each schoolwide program must include a number of specific components that are provided in the statute and regulations. For example, a schoolwide-program school must
- conduct a comprehensive needs assessment of the entire school to determine the performance of its children in relation to the state's challenging content and performance standards;
- implement schoolwide reform strategies that are based on scientifically based research effective means of improving the achievement of children and that address the needs of all children in the school;
- use qualified professional staff;
- provide professional development for teachers and other staff; and
- implement strategies to increase parental involvement.
- Schoolwide reform strategies that provide opportunities for all children to meet the State's proficient and advanced levels of student academic achievement; use effective methods and instructional strategies that are based on scientifically based research that strengthen the core academic program in the school; increase the amount and quality of learning time, such as providing an extended school year and before-and-after school and summer programs and opportunities, and help provide an enriched and accelerated curriculum; include strategies for meeting the educational needs of historically underserved populations; and include strategies to address the needs of all children in the school, but particularly the needs of student academic achievement standards who are members of the target population of any program that is included in the schoolwide program.
- Instruction by highly qualified teachers.
- Provide high-quality and ongoing professional development for teachers, principals, and paraprofessionals and, if appropriate, pupil services personnel, parents, and other staff to enable all children in the school to meet the State's student academic achievement standards.
- Strategies to increase parental involvement such as family literacy services.
- Plans for assisting preschool children in the transition from early childhood programs, such as Head Start, Even Start, Early Reading First, or a State-run preschool program, to local elementary school program.
- Measures to include teachers in the decisions regarding the use of academic assessments.

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- Activities to ensure that students who experience difficulty mastering the proficient or advanced levels of academic achievement standards shall be provided with effective, timely additional assistance.
- Coordination and integration of Federal, State, and local services and programs, including programs supported under this Act, violence prevention programs, nutrition programs, housing programs, Head Start, adult education, vocational and technical education, and job training.

In addition to funds and services available under Title I, Part A, a schoolwide-program school may use funds it receives under any federal education program administered by the Secretary that is included in the most recent notice published by the Secretary in the Federal Register.

If funds from other federal education programs are consolidated, a schoolwide program does not need to meet most of the statutory and regulatory requirements of those programs, as long as the intent and purposes of those programs are met. A schoolwide program school and its LEA, however, must still comply with requirements applicable to those programs relating to health and safety; civil rights; gender equity; parental involvement; equitable participation of private school children, teachers, and other educational personnel; maintenance of effort; and comparability.

In consolidating funds, a schoolwide-program school must also ensure that its schoolwide program addresses the needs of children who are members of the target population of any federal program that is included in the schoolwide program and meets the intent and purposes of that program.

A school operating a schoolwide program does *not* have

- to show that federal funds used within the school are paying for additional services that would otherwise be provided,
- to demonstrate that federal funds are used only for specific target populations, or
- to separately track federal program funds once they reach the school.

Such a school, however, *is* required to use funds available under Title I and under any other federal programs that are combined to support its schoolwide program to supplement the *total* amount of funds that would, in the absence of those funds, be made available from nonfederal sources for that school, including funds needed to provide services that are required by law for children with disabilities and children with limited English proficiency. (Title I, Section 1114 of ESEA (20 U.S.C. § 6314); 34 C.F.R. § 200.8; 60 Fed. Reg. 49174)

### **Suggested Audit Procedure(s)** (LEA and school level)

- Determine whether a school operating a schoolwide program met the poverty eligibility requirements in the first year of operation.

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- Determine if the LEA has distributed state and locally funded personnel and nonpersonnel resources to each schoolwide-program school in an equitable manner without taking into account the federal funds used in the schoolwide program.
- Determine whether a school combined funds from other federal education programs in its schoolwide program and, if so, whether it has met the intent and purposes of the programs whose funds were combined.

SDE contact: Patrick Smith  
803-734-0588  
PSmith@ed.sc.gov

## 21st Century Community Learning Centers Program

### CFDA 84.287C

#### I. Program Objective

The 21st Century Community Learning Centers program (21st CCLC) is authorized under Title IV, Part B, of the Elementary and Secondary Education Act, as amended by the *No Child Left Behind Act of 2001*. The purposes of this program are to create or expand community learning centers that provide academic enrichment opportunities to assist students, particularly those who attend high-poverty and low-performing schools, in meeting state and local standards in core academic subjects; to offer students a broad array of enrichment activities that can complement their regular academic programs; and to offer literacy and other educational services to the families of participating children.

#### II. Program Procedures

The South Carolina Department of Education (SDE), through a competitive process, will award subgrants, subject to the availability of funds, for the purpose of establishing or expanding activities in community learning centers. Funds from these subgrants will be used to

- provide academic enrichment opportunities for children, particularly students who attend high-poverty and low-performing schools, to assist them in meeting state and local standards in core academic subjects;
- offer students a broad array of enrichment activities that can complement their regular academic programs; and
- offer literacy and other educational services to the families of participating students.

Public school districts, individual public schools, community-based organizations, faith-based organizations, other public or private organizations, or a combination of two or more of such organizations are eligible to apply for these funds. Applicants must propose to serve students who attend schools that receive or are eligible to receive Title I school-wide assistance.

To the extent practical, the SDE will award subgrants equitably among geographic regions within the state, including rural and urban communities. Priority will be given to applications for programs that target services to students who attend schools identified as in need of improvement under Section 1116 of Title I and that are submitted jointly by at least one public school district and one community-based organization, faith-based organization, or other public or private organization.

#### III. Compliance Requirements

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##### A. Types of Services Allowed or Not Allowed

Funds may be used to provide before-school, after-school, and summer school activities that advance student academic achievement. All funds awarded must be used to supplement, not supplant, federal, state, and local, and other non-federal funds.

Sub-grantees may provide services at the public school or any other location that is at least as available and accessible as the school. Funds may be used for the following activities designed to improve student achievement and performance:

- remedial education activities and academic enrichment learning programs, including additional assistance to students to allow them to improve their academic achievement,
- mathematics and science education activities,
- arts and music education activities,
- entrepreneurial education programs,
- tutoring services (including those provided by senior citizen volunteers) and mentoring programs,
- programs that provide after-school activities emphasizing language skills and academic achievement for limited English proficient students,
- recreational activities,
- telecommunications and technology education programs,
- expanded library service hours,
- programs that promote parental involvement and family literacy,
- programs that provide assistance to students who have been truant, suspended, or expelled, to allow the students to improve their academic achievement, and
- drug and violence prevention programs, counseling programs, and character education programs.

Funds may not be used to support activities that occur during the normal school hours, unless such activities are targeted to pre-kindergarten children or the adult family members of the program's participants.

Additionally, funds may not be used to cover costs associated with construction, renovations, or the purchase of vehicles.

## **B. Suggested Audit Procedures**

Ascertain that expenses were incurred for program purposes and are not associated with activities which occur during the regular school day.

Ascertain that all expenses, including those associated with personnel costs, are supported with appropriate documentation.

Ascertain that expenses recorded on the General Ledger in appropriate categories are equal to the amounts that have been recorded on the claim reports that have been forwarded to the State Department of Education.

SDE contact: Gretchen Barron  
803-734-8458  
gbarron@ed.sc.gov